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# 中国商业环境调查

美中贸易全国委员会 | 2020

过去一年对于中美关系而言，有胜利，有困难，也有意外……

THE US-CHINA BUSINESS COUNCIL
美中贸易全国委员会

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过去一年对于中美关系而言，有胜利、有困难、也有意料之外。在经贸领域，数个意义重大的事件对在华经营的美国企业产生了深刻影响。自美中贸易全国委员会发布2019年的会员调查报告以来，美国和中国达成了第一阶段经贸协议，为持续两年之久的关税升级按下了暂停键。就在中国开始进行结构性改革以兑现第一阶段经贸协议承诺、两国关系走向缓和之际，新型冠状病毒的爆发严重破坏了公共健康和全球经济，在美国大选年这一重要时间节点重新点燃了两国经贸纷争。

动荡的时局，尤其是新冠病毒全球大流行，给商业环境带来了不确定性，让企业对在中国的短期商业前景忧虑重重。同时，企业也对包括公平竞争、数据和网络安全政策、知识产权保护在内等由来已久的问题表示关切。尽管形势高度紧张，所有的指标都显示，企业在总体上仍对中国市场保持长期承诺。

与去年的报告不同，今年不公平执法和人力资源没有入选会员企业面临的前十大挑战。而新冠肺炎和关税影响不仅上榜，并且排名靠前。此份报告深度剖析了这些挑战，以及在问卷调查结果中出现的其他共性问题。

# 前十大挑战

1. 中美关系
2. 新冠肺炎影响
3. 与中国企业的竞争
4. 关税
5. 成本增加
6. 许可和审批
7. 知识产权保护
8. 数据流动
9. 创新政策
10. 外商投资限制



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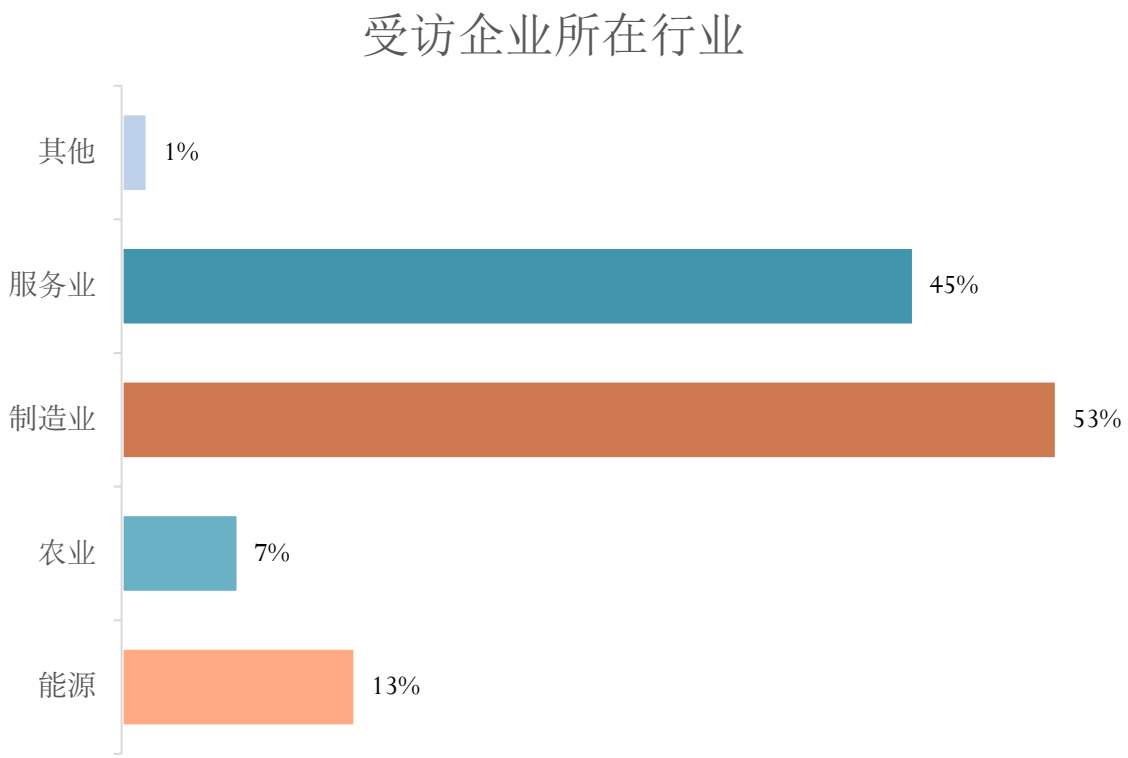
# 调查方法

十余年来，美中贸易全国委员会通过《中国商业环境调查报告》持续收集各行业在华运营的美国企业的观点。今年的报告结果源自100多家会员企业的反馈。其中，略超过三分之二的受访企业高管身居中国，其余三分之一居住在美国。反馈意见于2020年5月底至6月完成收集。

本年度调查通过加权计算统计出前十大挑战，反映了企业在华经营中面临的最突出问题。该方法与往年报告使用的方法相同，以确保分析的一致性。

由于四舍五入计算方法，某些表格总比例值可能高于或低于100%。



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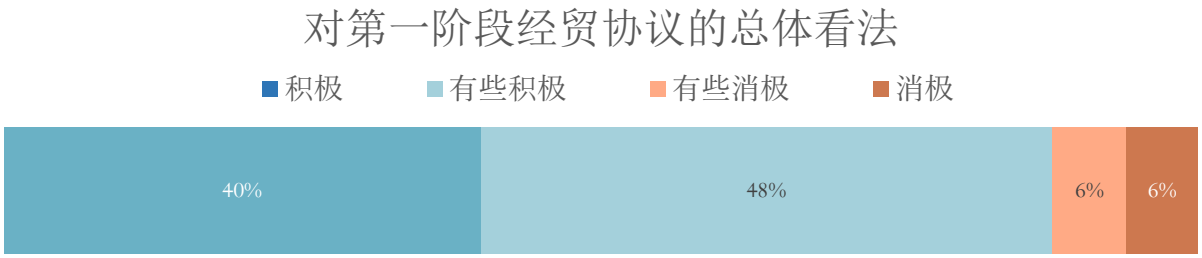
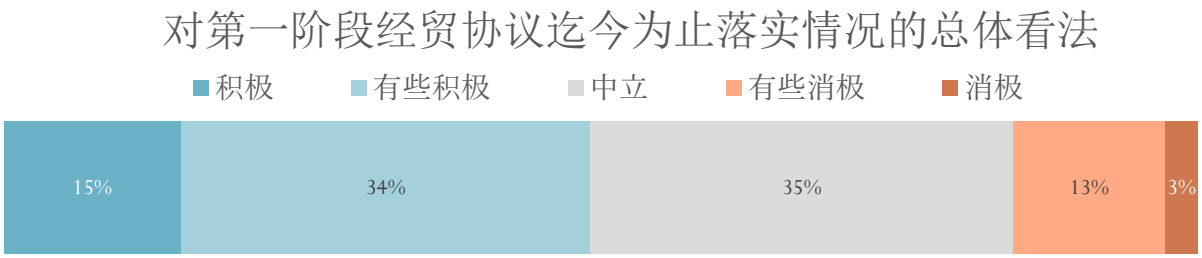
# 第一阶段经贸协议

对于中美两国今年1月中旬签署的第一阶段经贸协议，法律界、分析人士和工商界反应不一。协议的签署已七个月有余，绝大多数美国企业对协议持支持的态度，调查报告显示88%的受访者对协议持积极或有些积极的态度。协议签署以来，中国已采取措施，向外国企业开放金融服务业，大幅降低农业领域贸易壁垒，加强国内知识产权法律保护和执法体系。




虽然近一半的受访者认可中国取得的进展，并对协议落实情况持积极或有些积极的看法，但仍有不少受访者（35%）保持中立。这表示许多人仍在观望是否所有承诺都能兑现，或者该协议对这部分受访者的经营并没有直接影响。毕竟协议中的承诺需要在未来两年兑现，而自协议2月正式生效以来目前也只过去了5个月的时间。

自第一阶段经贸协议签署以来，美中贸易全国委员会持续就该协议对会员企业进行调查。过去几个月内会员企业的反馈意见显示，美国企业对第一阶段经贸协议的支持，与其说是源于协议承诺本身，不如说是因为协议在急剧恶化的双边关系中被视作一股稳定的力量。



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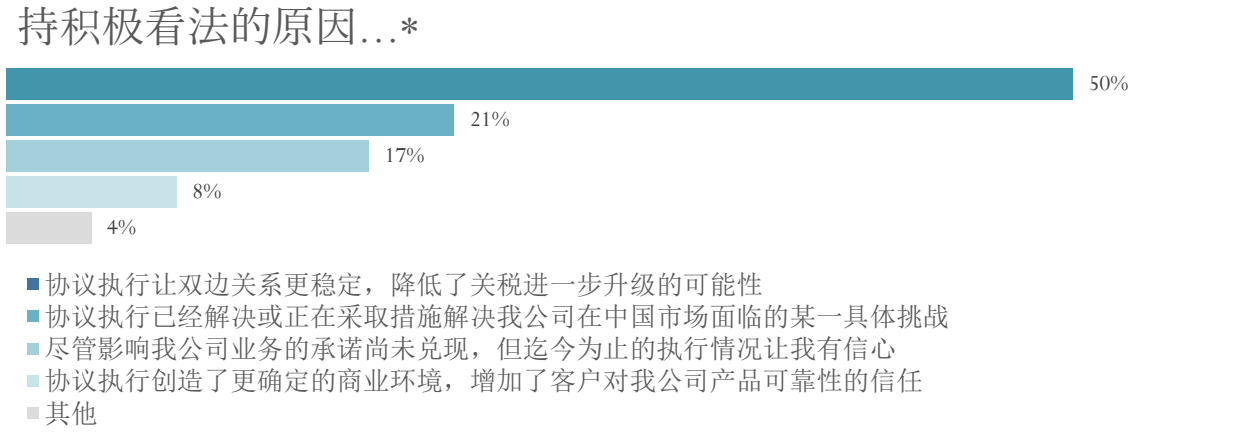


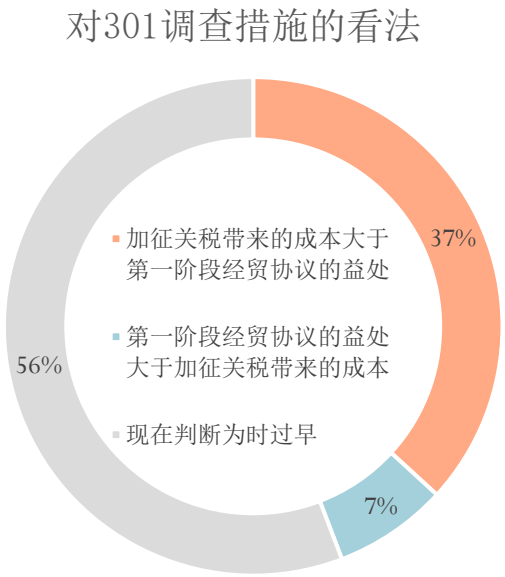

*数据来自2020年2月会员企业第一阶段经贸协议调查

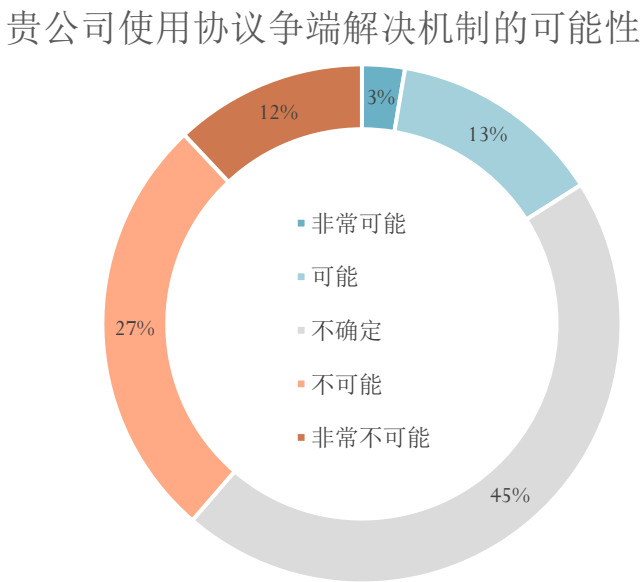
尽管双方同意暂停进一步加征关税，截至本报告发布之时，价值3700亿美元的中国商品和价值1100多亿美元的美国商品仍在被加征惩罚性关税。

只有7%的受访者认为第一阶段协议的益处大于加征关税带来的成本，而36%的受访者认为成本大于益处。值得注意的是，多数（56%）受访者认为，现在下结论为时尚早，认为总体结果仍取决于特朗普政府的对华政策。

协议中的争端解决机制被认为是双方谈判团队取得的一项关键成果，但美国工商界似乎对此热情并不高。协议在争端解决的章节提出要建立程序以解决与协议相关的缺陷或分歧，并邀请企业向任何一方政府直接表达关切；即使企业决定不参与，该机制也将运转。

尽管该机制为美国政府和相关企业创造了更多机会来解决在中国市场面临的问题，许多企业对真正利用这一机制持谨慎态度。只有16%的企业考虑在第一阶段协议出现问题时诉诸该机制。企业之所以有顾虑，主要是因为不确定该机制将如何解决其关切。一些公司担心可能会在中国市场受到报复，而其他企业则对隐私问题表示担忧。



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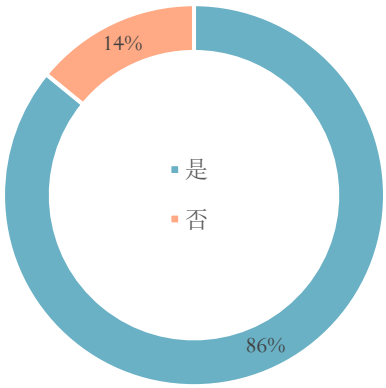
# 中美关系

尽管中国正在经历这一代的首次经济衰退，中美关系已经连续三年位列在华美国企业的首要关切。从投资决策到网络安全和标准制定，中美两国的竞争几乎渗透到企业在华经营的方方面面。回归稳定、建设性的中美关系对美中贸易全国委员会和会员企业至关重要。

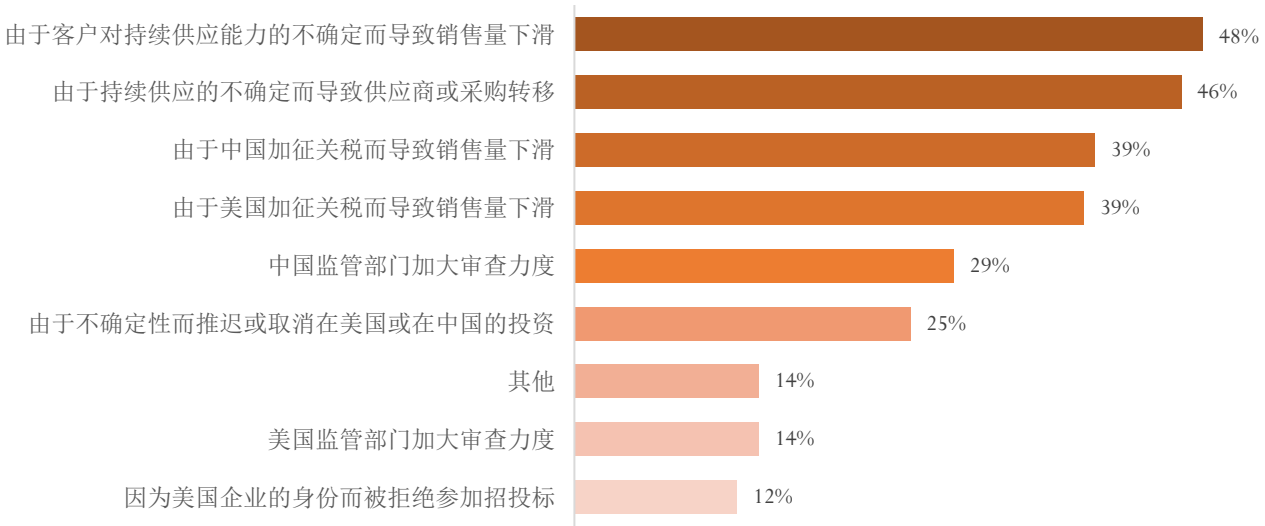
当前紧张的中美贸易关系是否对贵公司对华业务产生影响？




我委员会86%的会员企业认为，紧张的双边贸易关系影响了其在华业务。2019年，紧张关系造成的最重要的影响是因中国加征报复性关税而导致的企业销售下滑。尽管中方关税在2020年继续影响美国企业在华销售业绩，将其列为首要关切的企业数量较去年减少10%。原因可能是中国今年制定的关税排除程序帮助其成功排除关税，以及中国根据第一阶段经贸协议中扩大贸易的条款加大了对美国商品的采购。

在2020年，一半的受访者认为双边贸易关系紧张所带来最严重的影响是客户对其稳定供应能力的不确定而导致销售下滑。他们也表示会担心关税对其采购稳定货源造成的影响。美国最近出台了限制美国企业向一些中国企业出售特定产品和服务的政策，这已经开始对美国企业和其中国客户扩大商业往来产生影响。我委员会在与会员企业的交流中发现，中国客户越来越担心能否持续获得美国企业的产品，以及担心美国的出口管制和其他政策是否会在未来阻碍他们获得这些产品。一家企业坦言：“我们因为是美国企业的缘故被一些招标项目排除在外。”

中美贸易关系紧张对商业的影响



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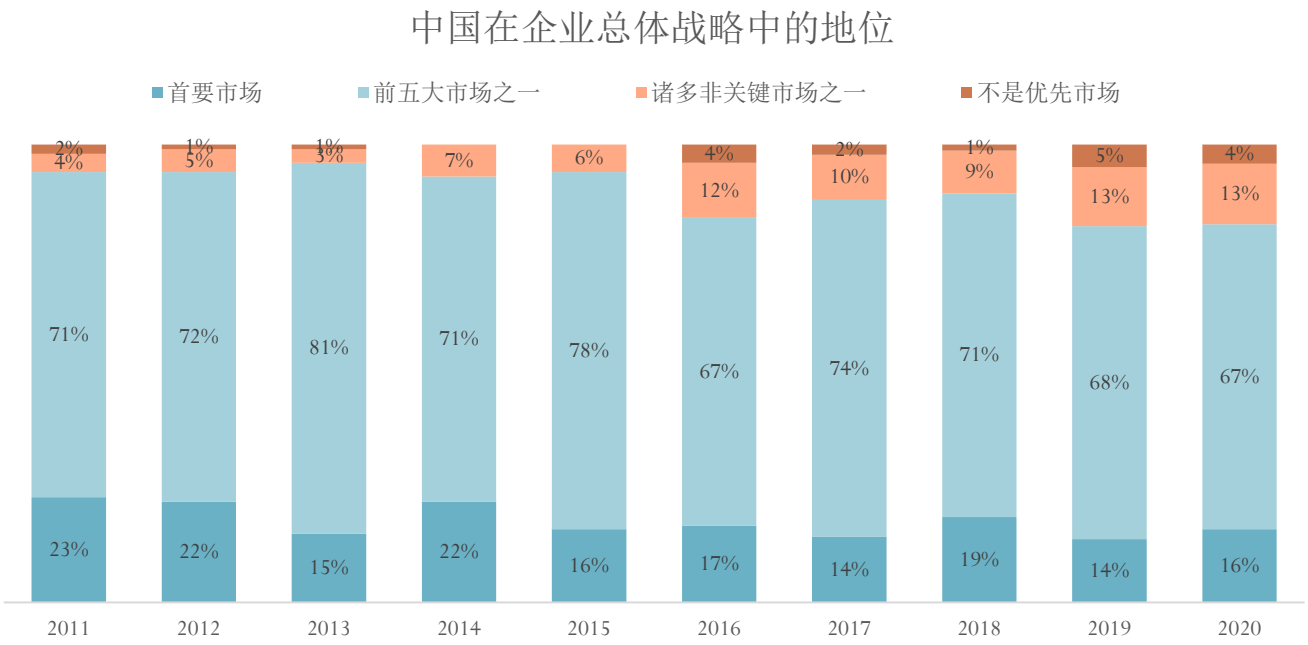
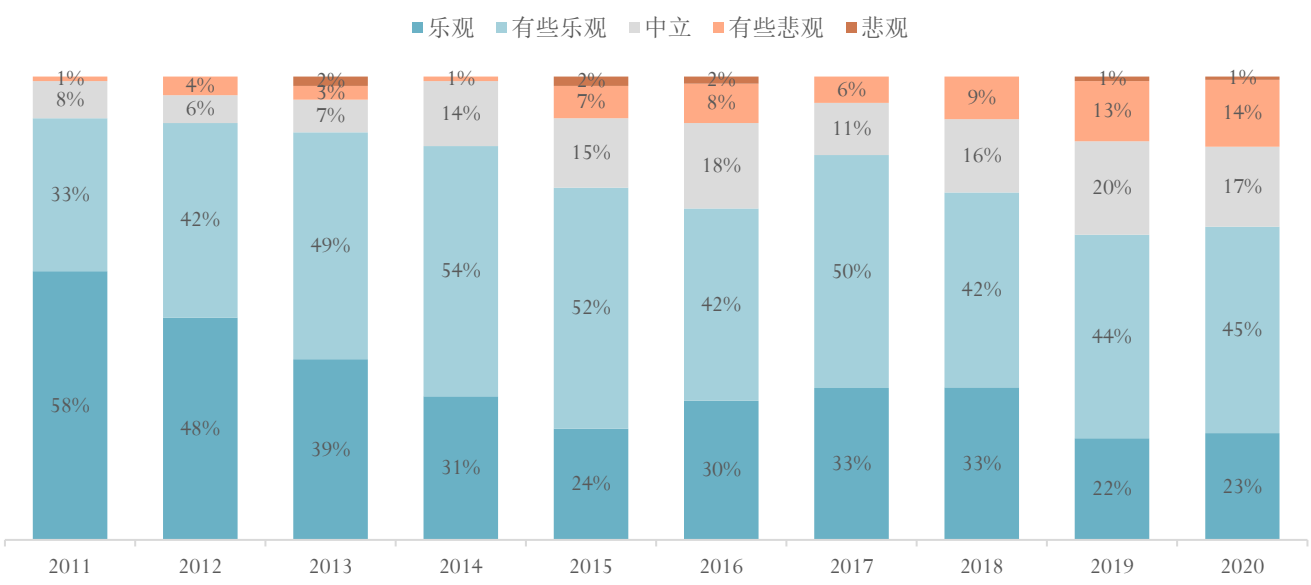
# 投资环境

尽管多年来贸易摩擦不断，中美两国的强硬派人士也大量鼓吹经济脱钩，但无论是我委员会收集的数据，还是与会员企业的交流都显示美国企业对中国市场保持长期承诺。83%的企业将中国视作其全球战略中最重要或前五重点之一。中国的五年商业展望也同样乐观：近70%的企业对中国的市场前景抱有信心。虽然整体商业环境的不确定性仍居高不下，但第一阶段协议给追加关税按下了暂停键，稳定了整体经贸关系，从而给中国的投资环境注入了些许信心。



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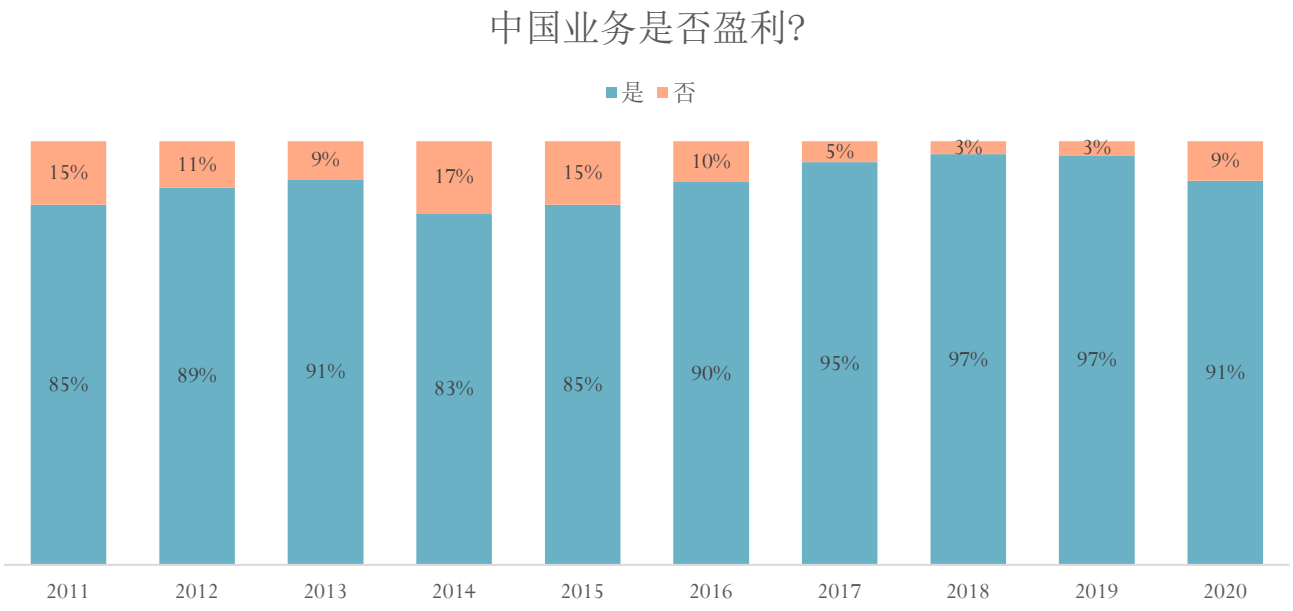
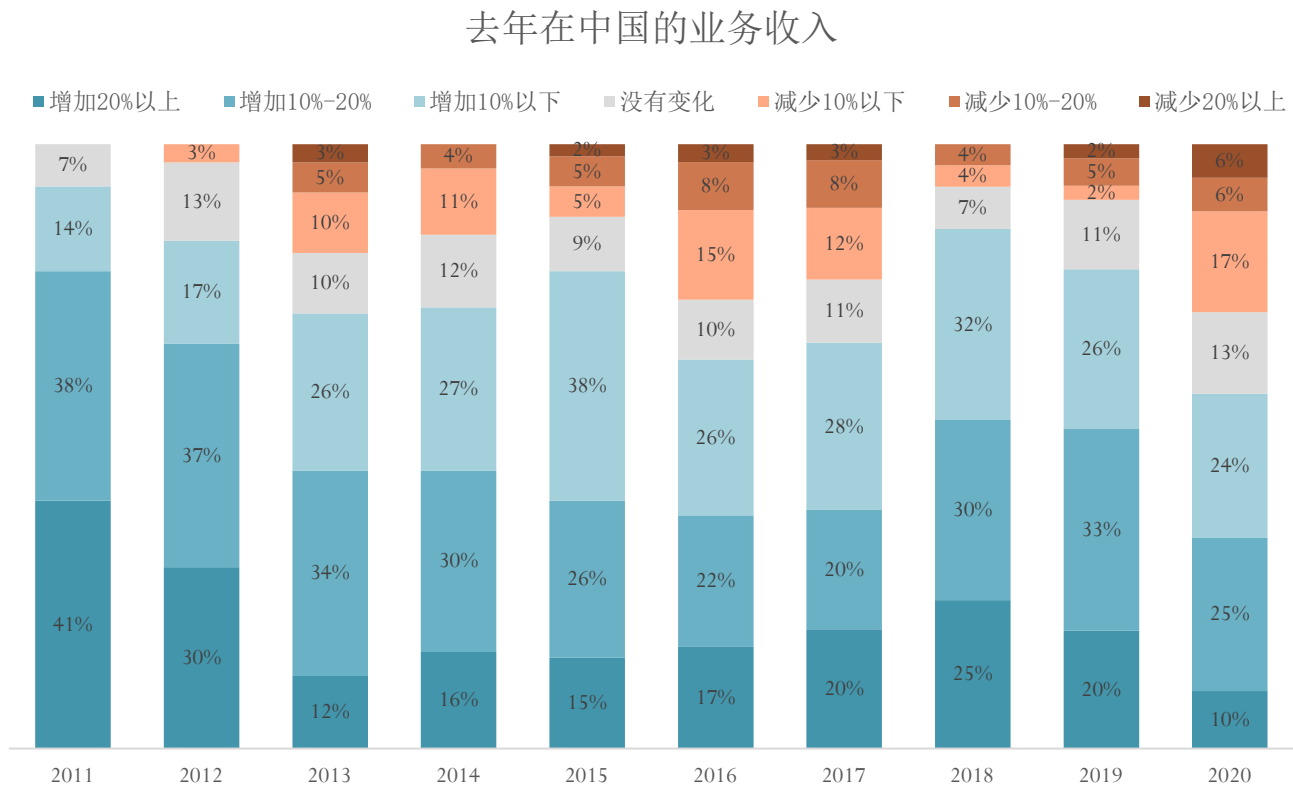
盈利也是企业对中国市场长期保持信心的关键。91%的企业表示其中国业务仍保持盈利，尽管过去几年的利润率有所下降。我委员会的数据显示，影响盈利的首要因素是新冠病毒肺炎疫情及其对经济的影响。同时大多数受访企业也表示过去一年的收入有所增加。



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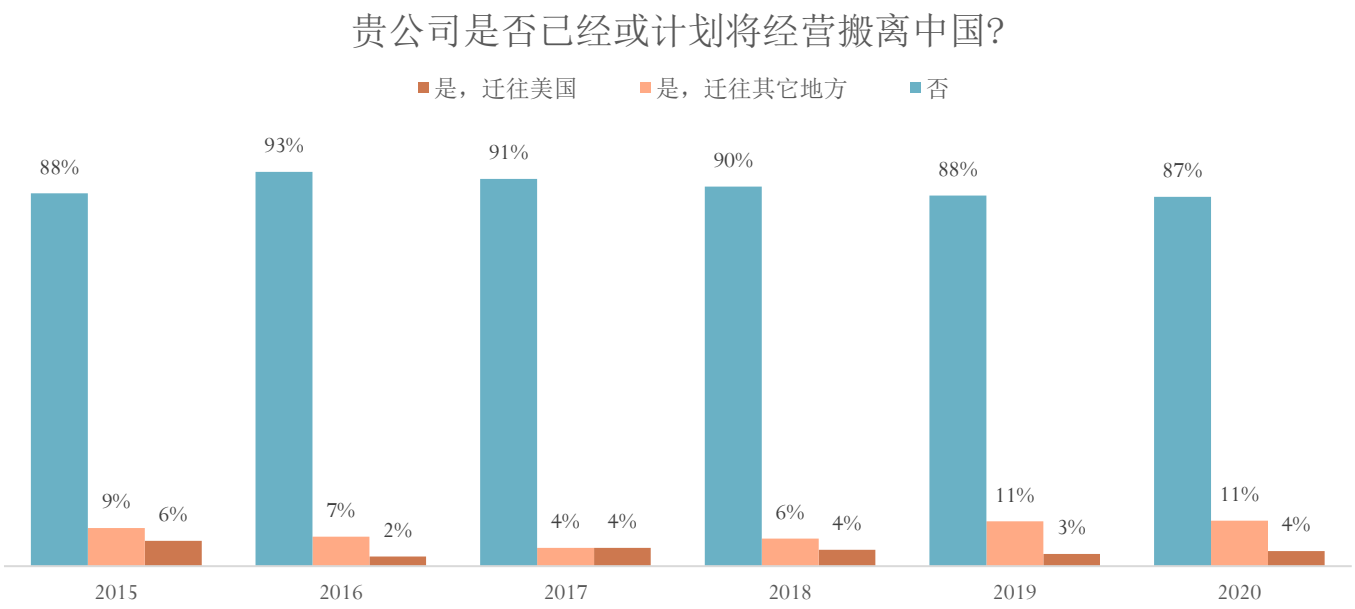
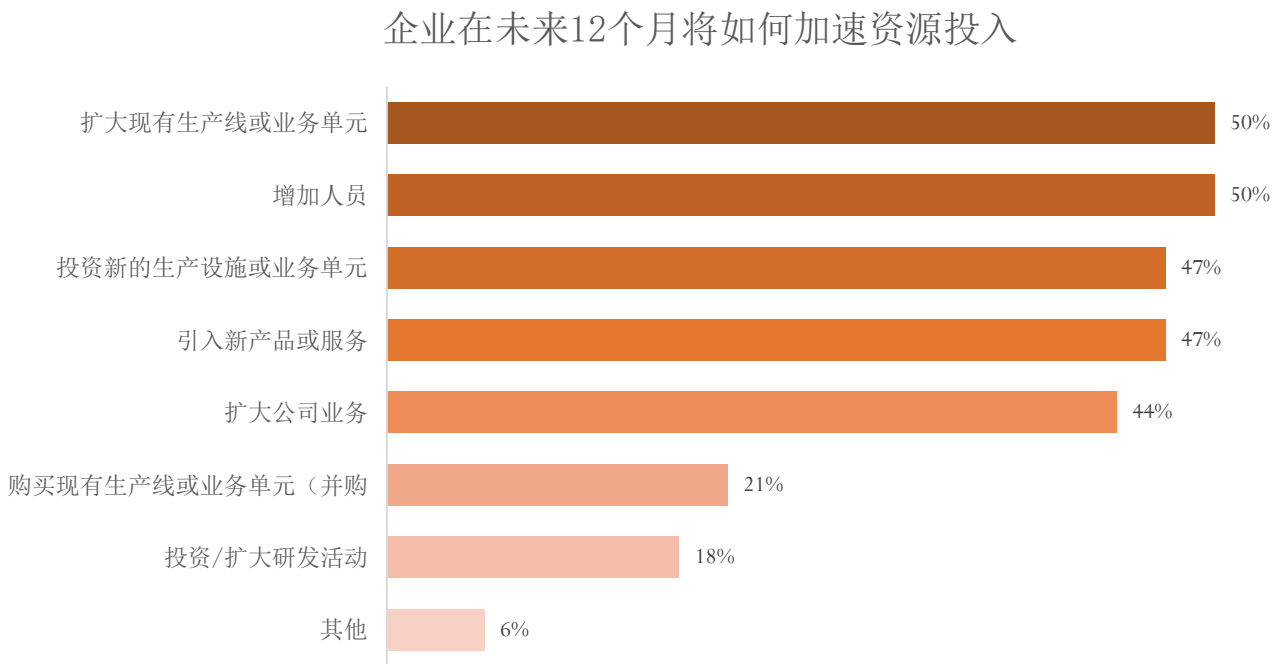
正是因为对中国市场保持长期信心，87%的企业没有将生产搬离中国的计划。只有4%的企业表示已经或计划将业务迁回美国，而中国消费需求不振是其主要原因。其余11%称近期已计划或未来计划将生产迁往世界其他地区，泰国和墨西哥是其首要备选目的地。




75%的企业称，对中国业务的资源投入未来一年将不变或增加，最常见的原因是为了扩大现有商业布局和生产、增加人员、发布新产品。



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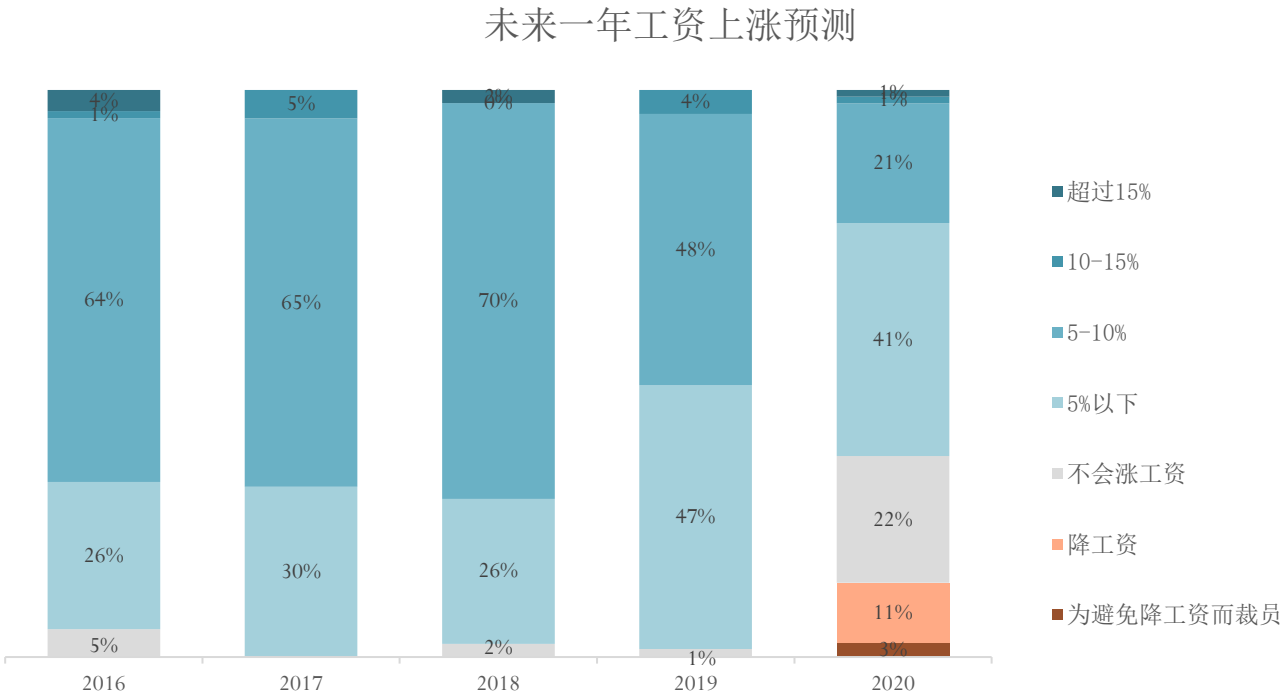
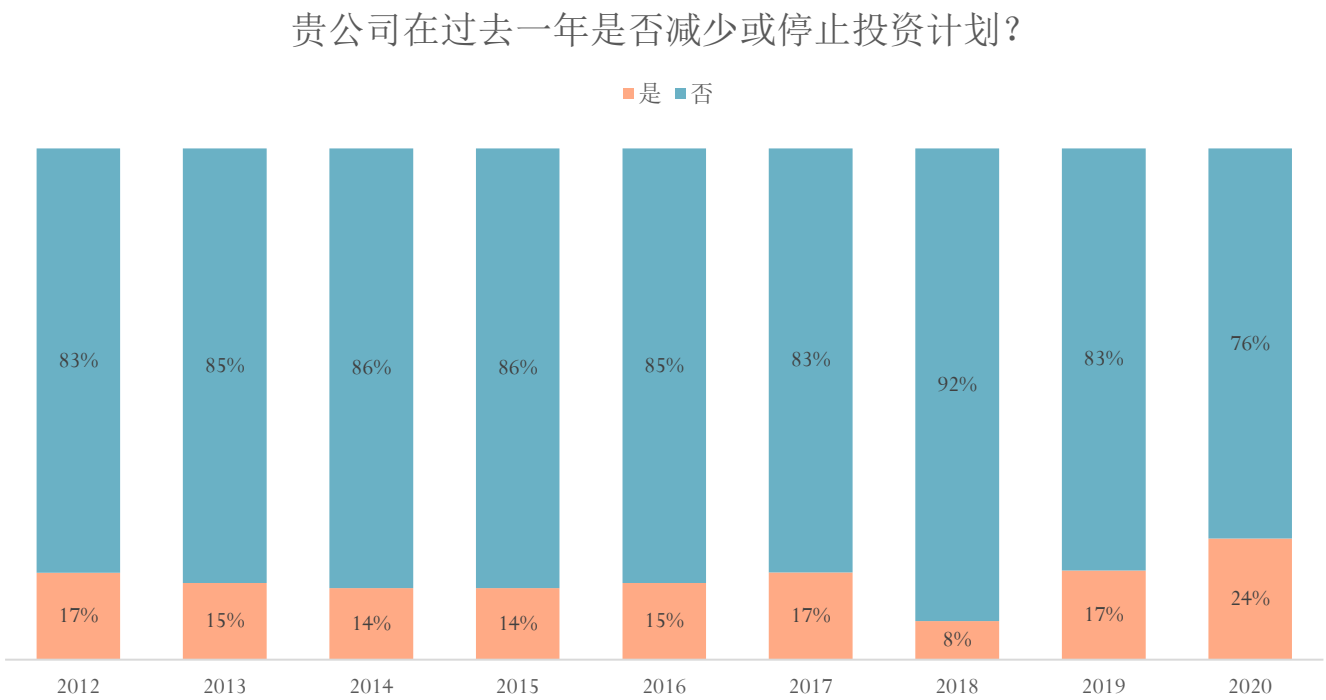
尽管长期前景乐观，但是双边贸易摩擦以及新冠病毒肺炎的爆发影响了美国在华企业的投资决策和短期经济前景展望。




四分之一的会员企业在过去一年减少或停止在中国的投资计划，创下本调查有史以来最高记录。减少或停止投资计划的最主要原因是成本增加或中美关系紧张和新冠肺炎疫情带来的不确定性。



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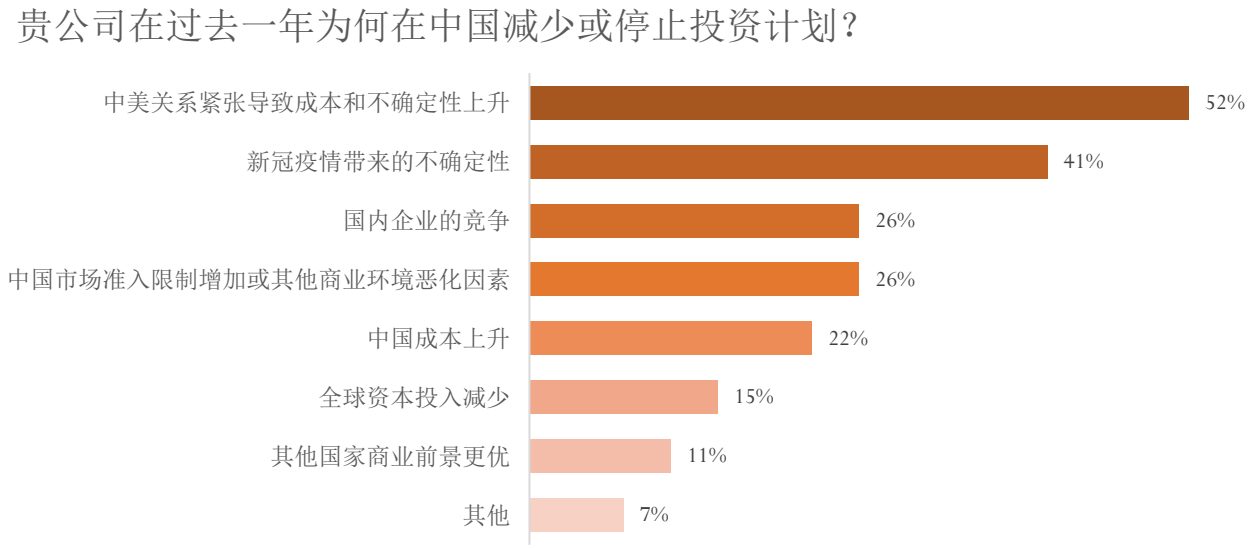
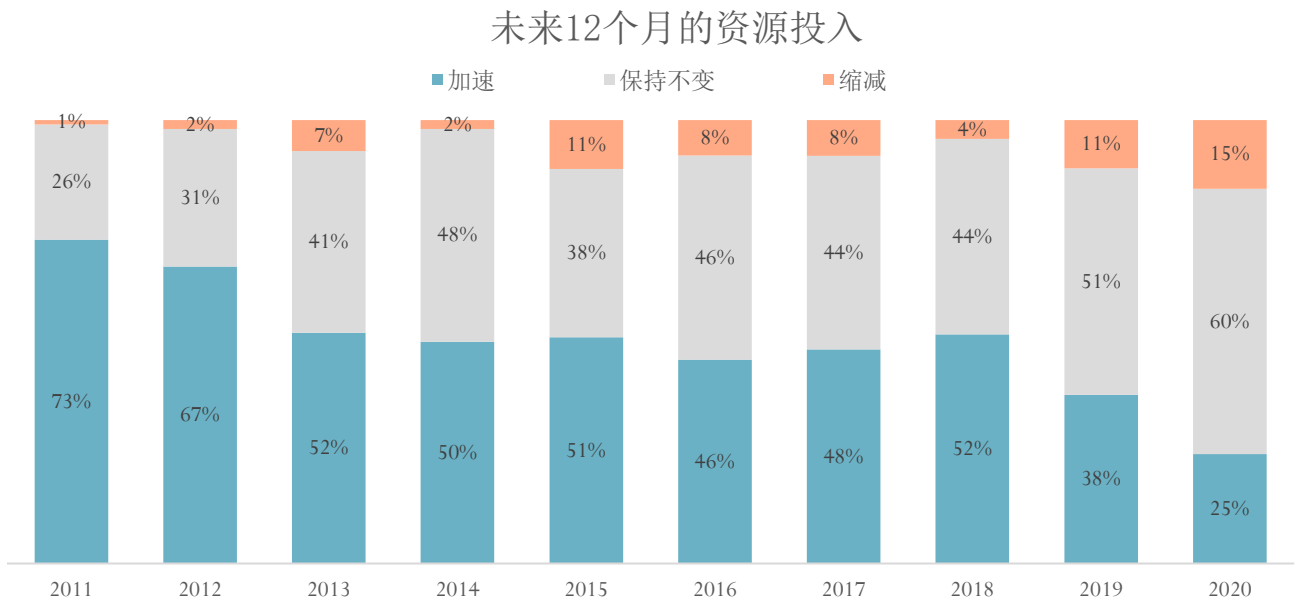



投资减少的趋势在研发领域尤为明显。2020年，在华增加投资的企业中，只有18%的企业表示将增加研发投入，而这一比例在2019年是33%，在2018年则是47%。导致研发投入减少的部分原因可能是日益严格的数据流动限制，中国出口管制政策的发展，以及美国在研发领域税收激励政策的改变。

政治不确定性和持续的新冠疫情也影响了企业的收入和工资预测。只有30%的企业预测今年收入会增加，这一比例为本调查有史以来最低水平。企业的工资增加预测也可以说明问题。在过去十年，预测下一年工资不会增加的企业比例一直是个位数。2020年，36%的受访企业称，他们将保持工资不变，降低工资或裁员以免在来年削减工资，这一比例较上一年上升35%。

今年急转直下的形势预测和前所未见的经济趋势说明，企业对中国的工资和资源投入可能会随着中国国内经济好转而反弹。



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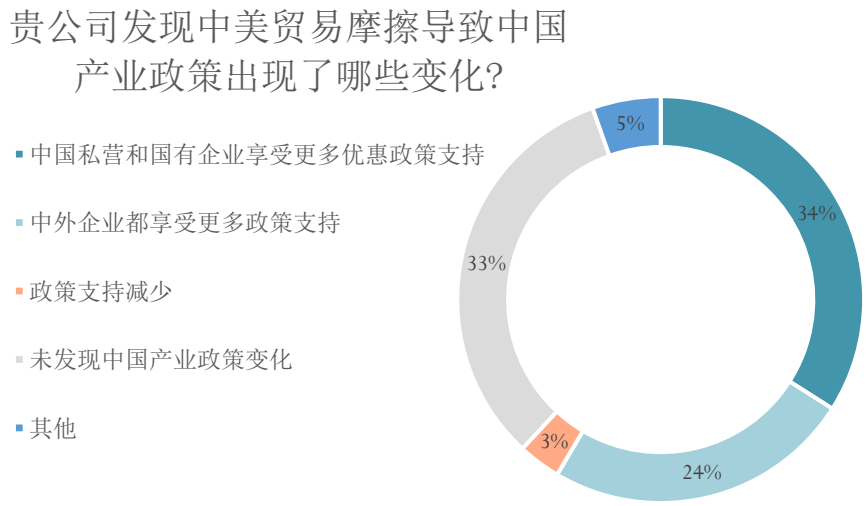
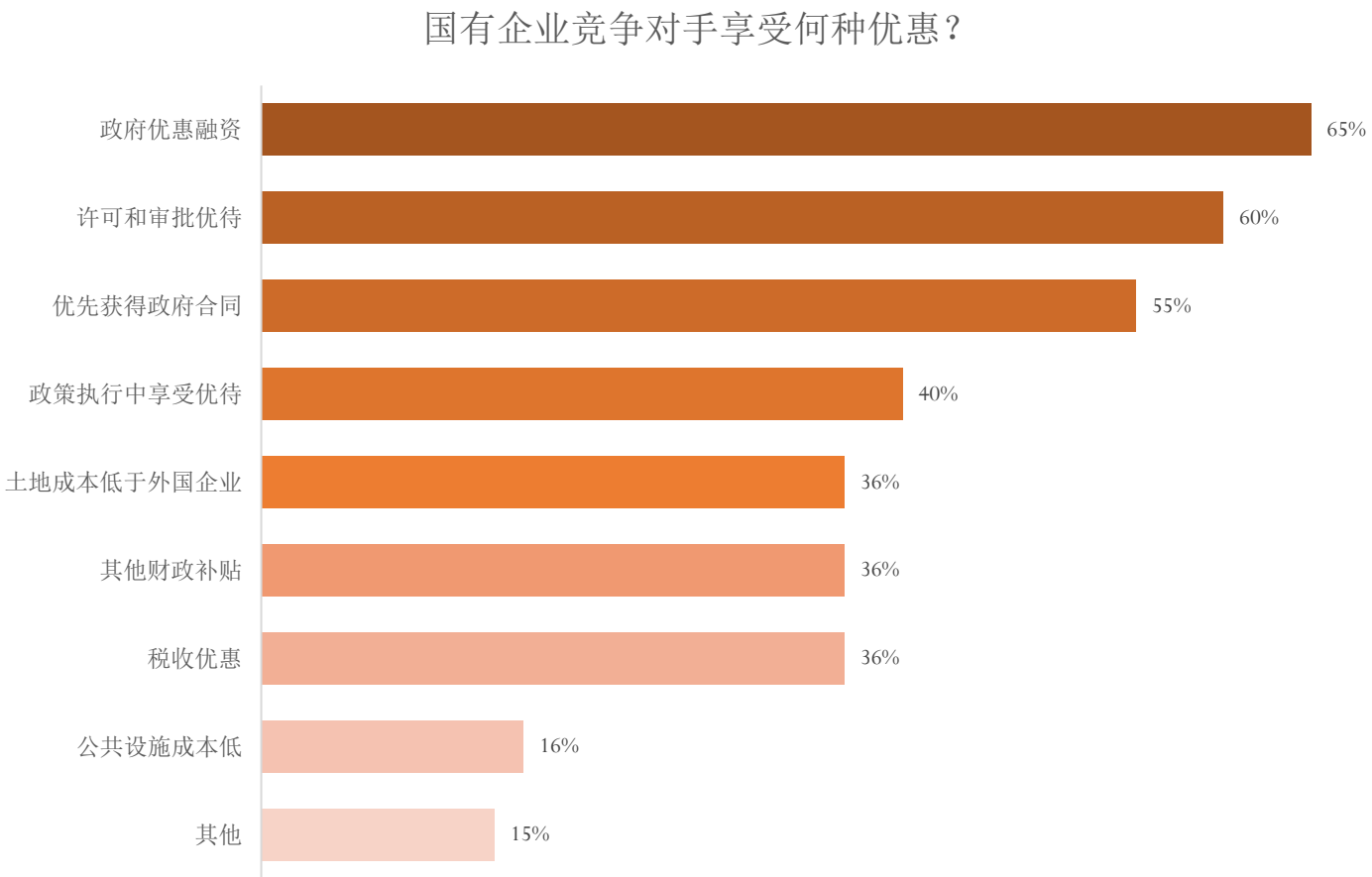
# 竞争

美国企业在中国竞争环境中的经历也各不相同。今年，三分之一的受访者观察到在中美贸易摩擦直接影响下，中国企业享受了更多的优惠政策。保护主义，尤其是类似“中国制造2025”的产业政策和在采购中对于国内企业的青睐，让一些美国企业面临更艰难的竞争环境。25%的受访者称，与中国企业日益激烈的竞争影响了其上一年的利润。

而在其他领域，尤其是国有行业，情况并非如此泾渭分明。虽然大多数（77%）受访者明确知道或怀疑国有竞争对手享受政府补贴或优惠，仍有23%的企业表示不相信其国有企业竞争对手获得了实际上的优惠。



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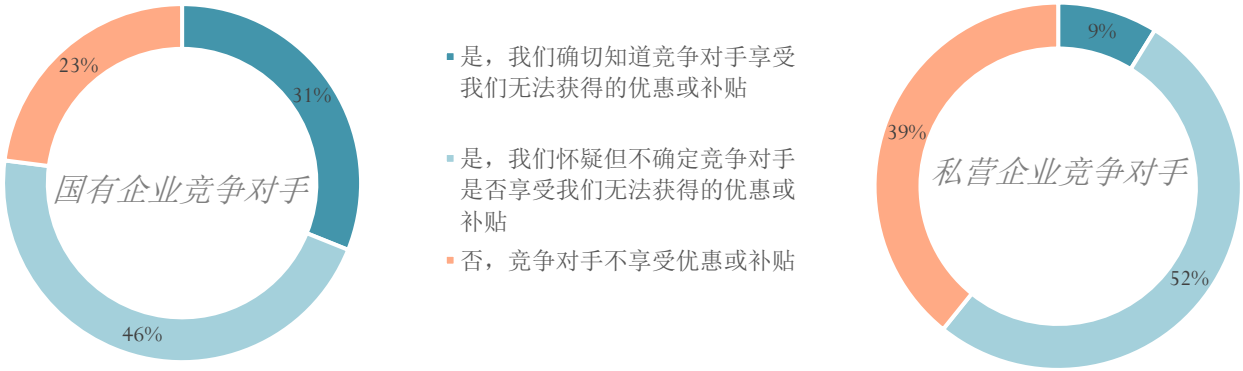
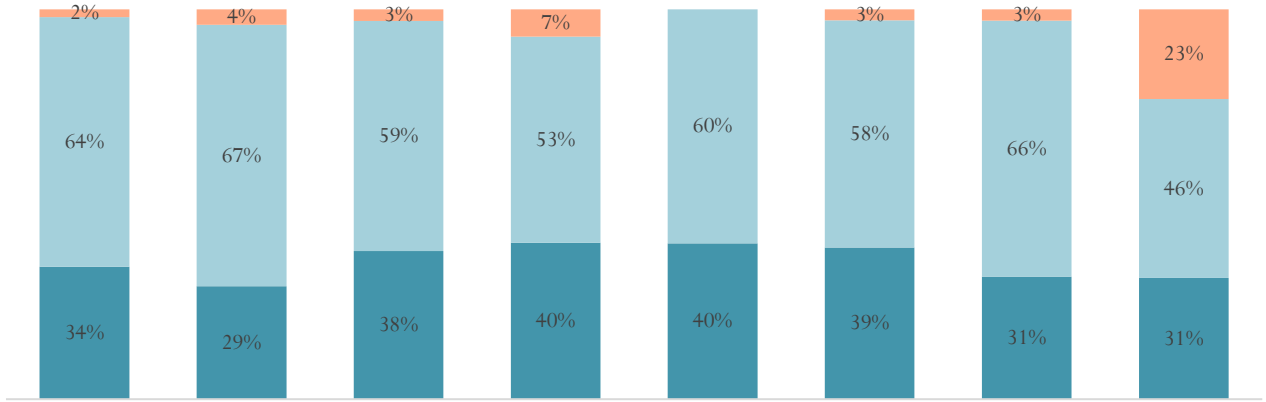
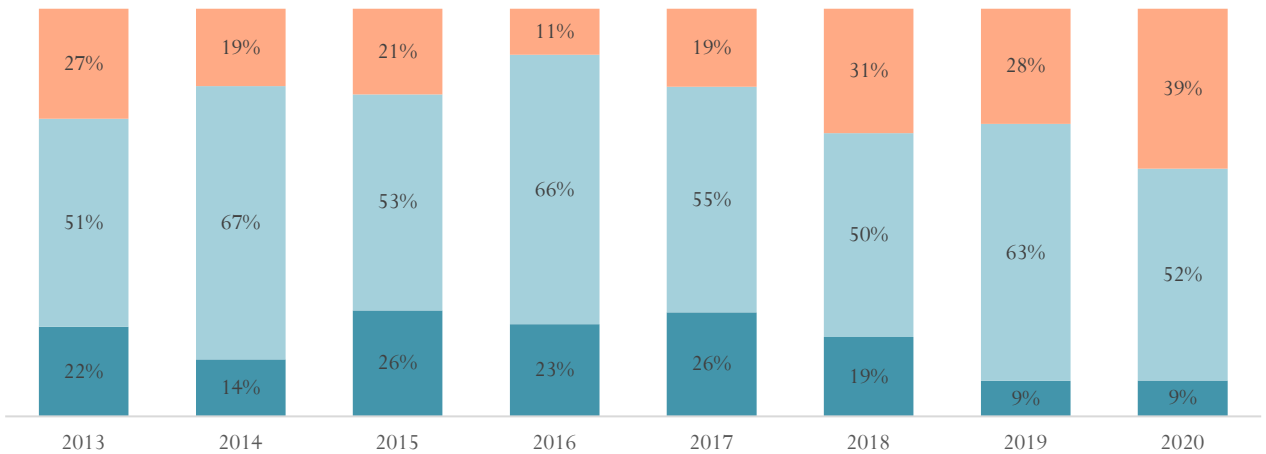
同样，61%的受访者表示确切知道或怀疑中国私营企业竞争对手享受类似的优惠。尽管情况较往年有所改善，与中国企业的竞争在今年的调查中仍旧是受访企业面临的第三大挑战。

## 贵企业的私营/国有企业竞争对手是否获得实际上的优惠？



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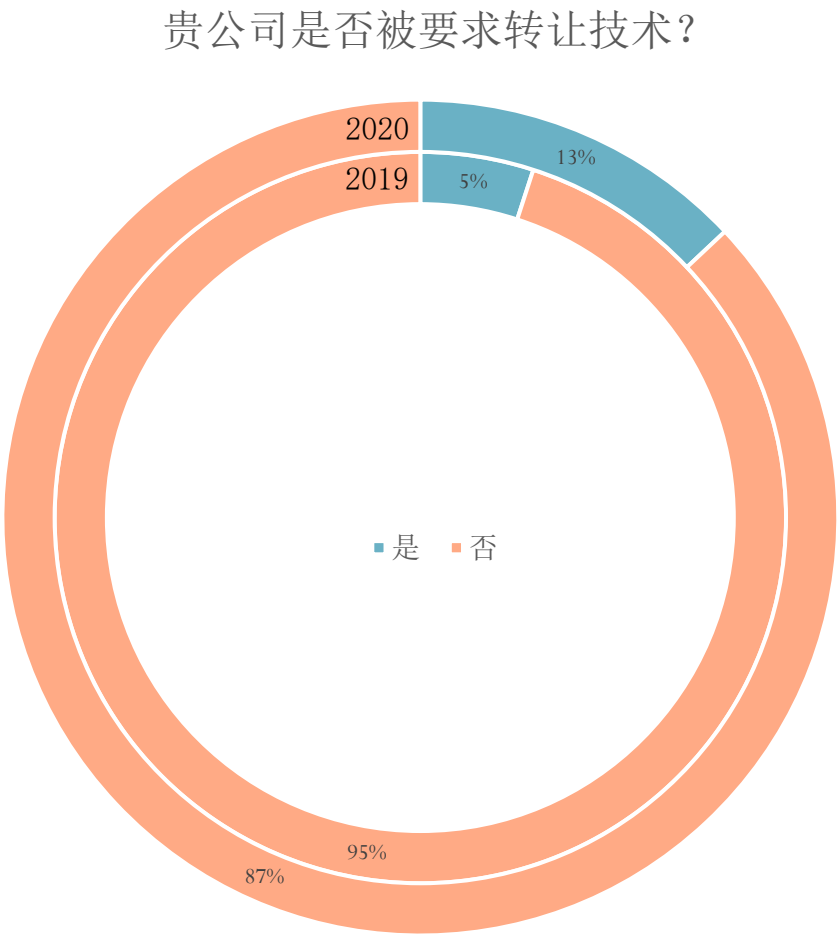
# 技术转让

市场准入限制、合资、或行政许可要求——例如那些标准化和产业政策中的要求，往往限制企业进入中国市场的能力。当被要求转让技术时，企业不得不在其技术和进入中国市场二者中权衡取舍。

技术转让并未影响所有企业。但是对受影响的企业来说，这的确是重要关切。尽管这一问题一直是中美两国双边关系紧张的症结之一，然而三分之二的企业表示技术转让并未影响其在华经营决策。即便如此，有13%的受访企业表示其曾被要求转让技术，而去年这一比例只有5%。我们对这一比例增加的原因尚不清楚。

中国已经采取措施解决这类关切，如在中美第一阶段经贸协议和今年生效的《外商投资法》中承诺，不通过强制或施压令外国企业进行技术转让。尽管如此，由于没有具体细节，尚不明确该承诺将如何合理落实。进一步改革合资和行政许可要求将有助于保护企业的商业秘密。



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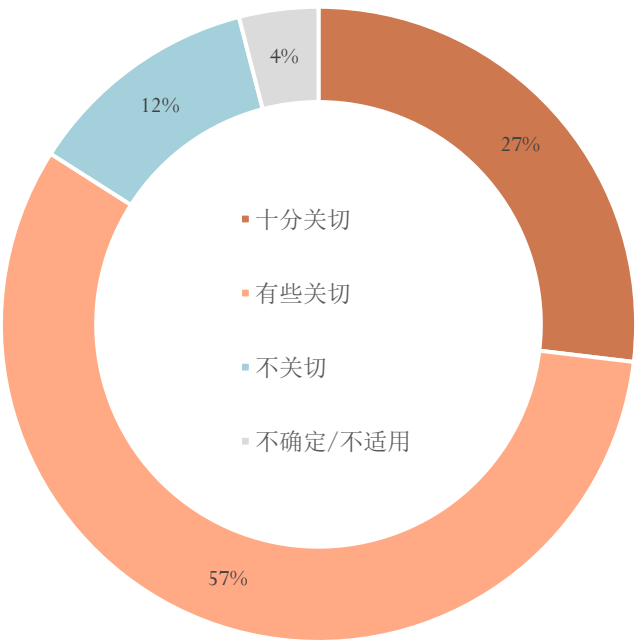
# 数据流动和网络安全

过去几年中，中国强化了网络和数据安全管理体制，对几乎所有在华经营的企业都提出了新的要求。自《网络安全法》于2017年6月生效以来，有关实施细则也逐步出台。实施细则对于网安法的进一步落实至关重要，但是许多细则内容仍尚未最终明确。2020年，调查显示对中国出台的信息流动和技术安全政策表示有些或十分担心的企业比例从2019年的76%上升至84%。

企业的忧虑主要来自中美关系消极的发展趋势。今后双边关系紧张可能会继续成为围绕数据和网络安全方面的核心关切。尽管外国技术为中国市场的用户提供了更多选择，中美之间不断加码带有敌意的政策，可能会限制企业在中国市场有效经营的能力。美国日益独断的技术政策和中国对本土技术公司的保护主义倾向，会让经营环境更加不稳定，从而减少行业企业的产品选择。

企业今年提出的首要网络关切与过去几年相似。71%的企业担心中国在该领域采取的政策将与两国紧张的政治关系相联系，这一比例相比2019年增加了15%。其他共同关切包括数据本地化要求和跨境数据流动限制，这两个方面在过去一年都有新的政策动向。

对中国信息流动和技术安全政策的关切



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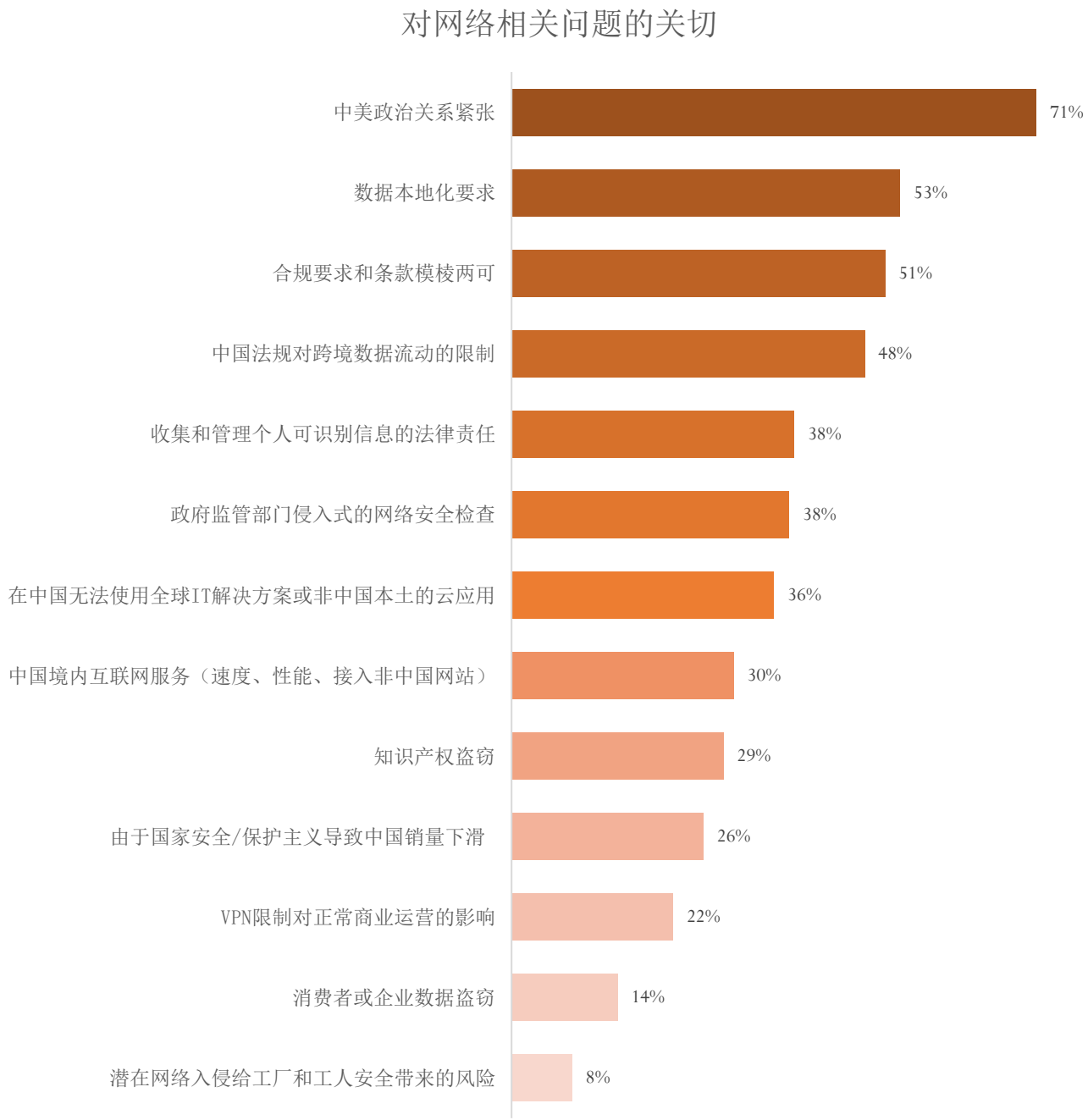
然而，企业在其他方面的关切则有新的变化。例如，对于虚拟专用网（VPN）限制的关切大幅下降。只有22%的企业认为VPN限制是个问题，而去年由于中国监管部门制定计划限制使用VPN，这一比例高达50%。因为VPN对于企业使用公司内部平台进行沟通和记录是必要的，且部分平台在中国因网络问题受限，所以外资企业使用VPN是非常普遍的情况。

同样，受访企业对数据盗窃的担心在过去几年也显著下降，今年只有14%的企业认为这是个问题，而在2017年这一比例高达53%。



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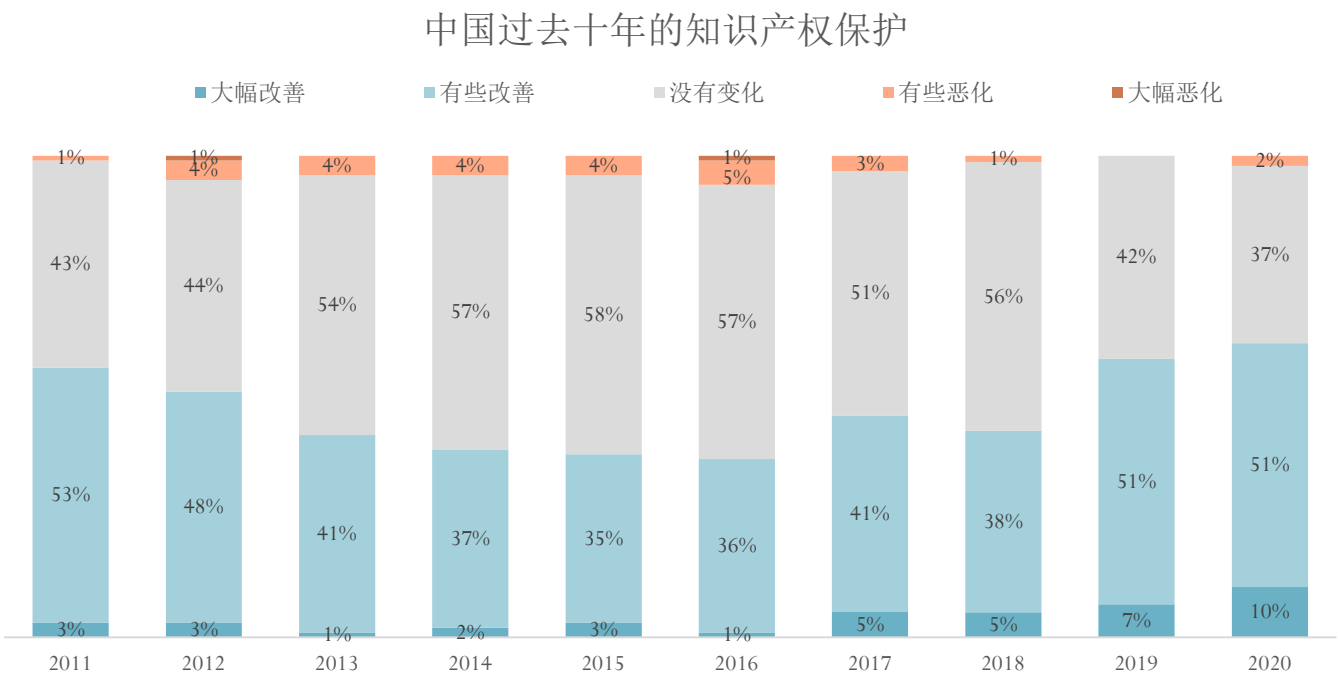
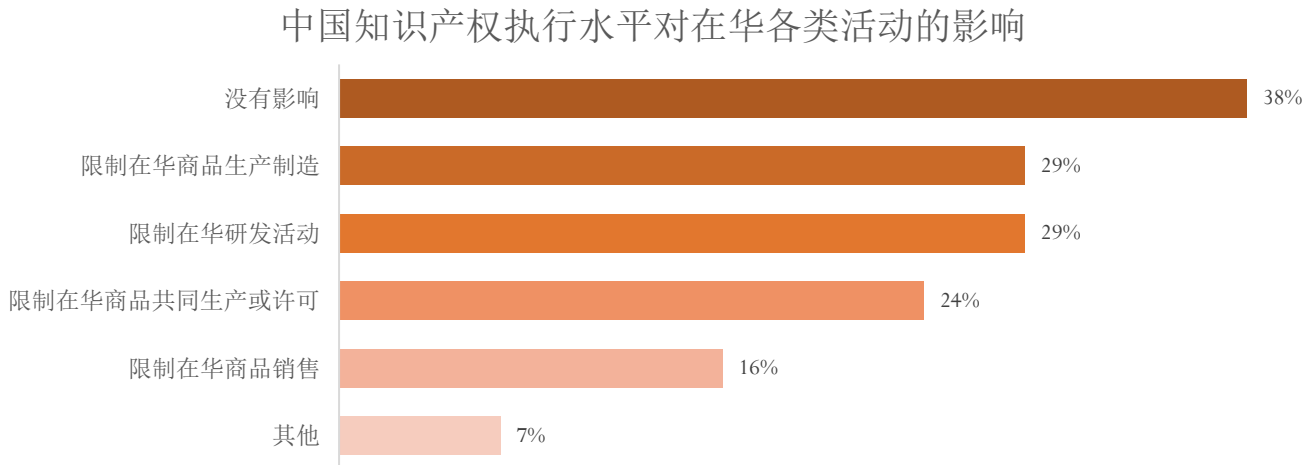
# 知识产权保护

中国知识产权保护长期面临的挑战一直是中美双边摩擦的核心问题。与往年一样，受访者指出，中国在知识产权保护和执法方面逐渐取得进展。企业反馈，相关案件越来越多地由熟悉知识产权争议的法官受理，公安部门也更积极主动愿意查办侵权工厂。无论是合作伙伴，还是许可持有人，似乎都普遍意识到知识产权保护的重要性。

尽管中国知识产权保护有所改善，因相关问题削减或选择不在中国投资的企业比例并不低。数家企业反映，除了研发活动外，知识产权保护成效还影响它们在中国的产品生产、许可和销售。对中国而言，加强知识产权保护不仅可以保证产权所有者因其发明得到补偿，更是一个经济问题。如果美国企业由于知识产权得不到完全保护而减少在华经营，就业岗位与创新将蒙受损失。



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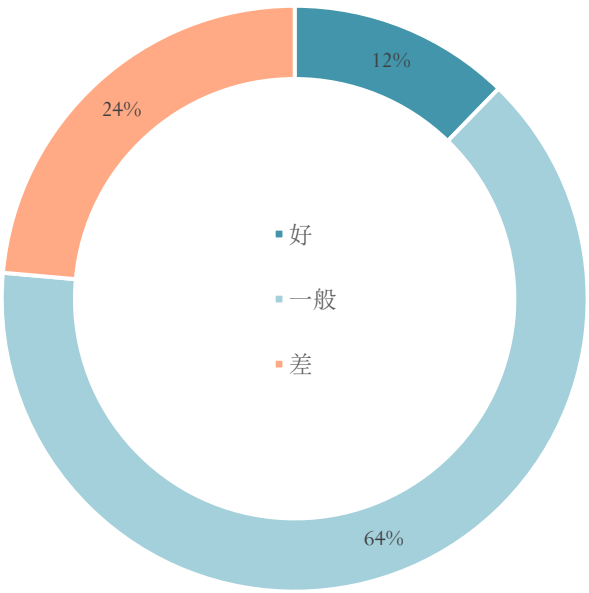
# 参与标准制定

中国有时采用与企业在其他国际市场使用的标准不同的技术标准，这可能成为市场准入障碍，影响互操作性。尽管中国《外商投资法》承诺中外企业平等参与标准制定，受访者称，企业在很多情况下仍无法全面参与。在约三分之二尝试参与标准制定的受访者中，大部分（64%）对其参与标准制定的过程评价仅为“一般”，甚至近四分之一的评价是“差”。

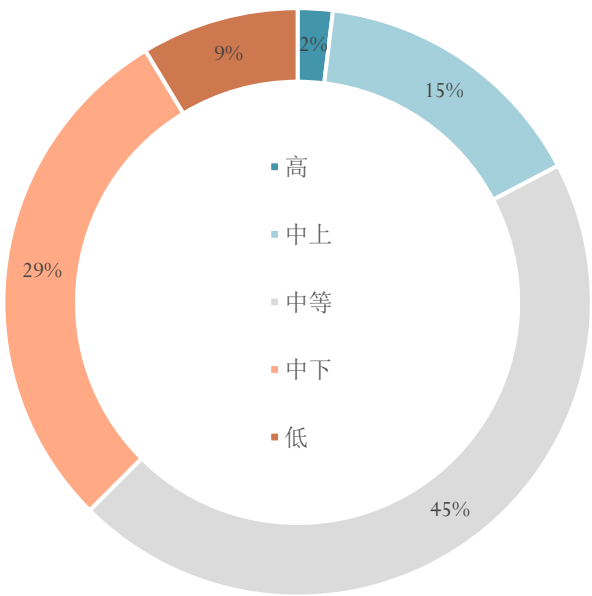
17%的企业认为其自身对标准制定的影响是“高”或“中上”，而行业领先者的确能够通过贡献其技术专长有力地参与标准制定。

尽管如此，能够参与并不意味着有影响力。只有45%的企业认为对标准制定产生了中等程度影响，近五分之二的企业认为其实际影响程度是“中下”或“低”。

贵公司参与中国标准制定的能力是




在标准制定中的影响程度



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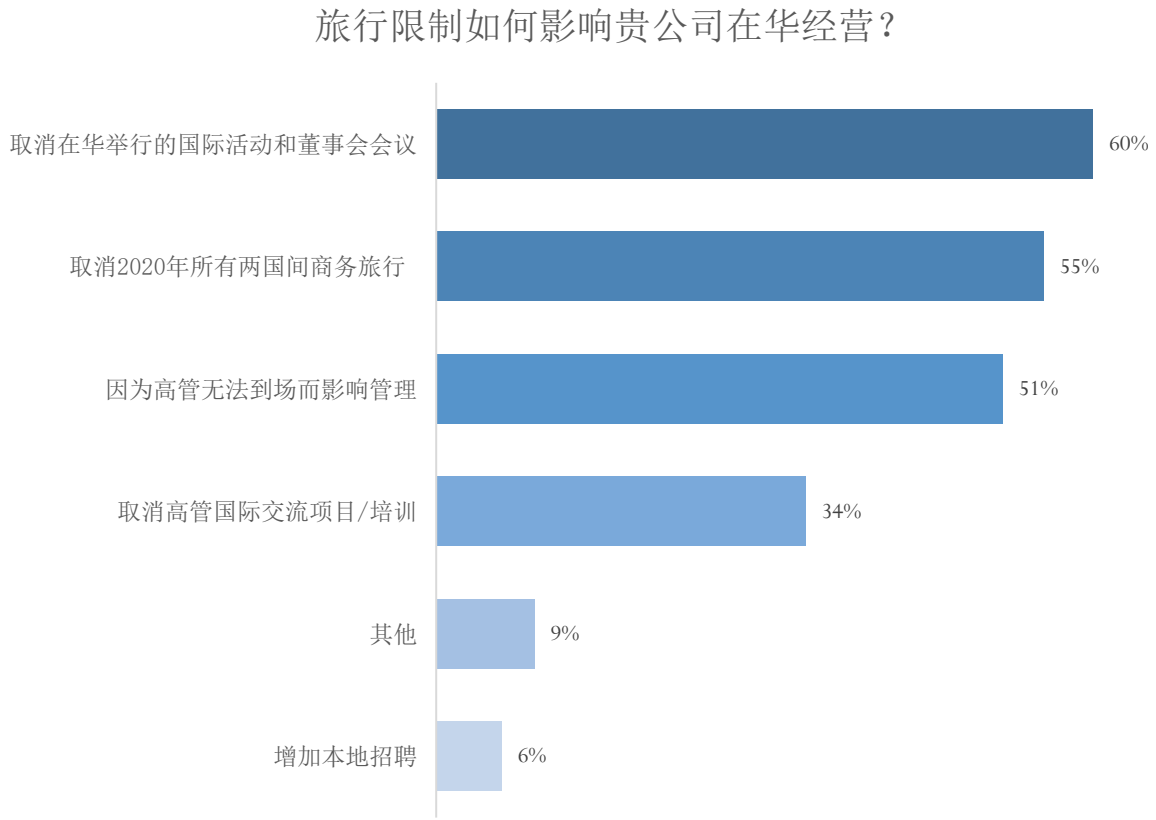
# 签证和旅行限制

新冠疫情造成的签证和旅行限制影响了企业经营。2020年，32%的会员企业表示，为美籍员工办理来华签证更加困难，而去年这一比例只有3%。旅行限制也影响了企业正常运营。60%的会员企业取消了在中国举行的国际活动和董事会会议，55%的企业取消了所有两国间商务旅行，以及34%的企业取消了高管国际交流项目。



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# Member Survey

US-China Business Council | 2020

THE US-CHINA BUSINESS COUNCIL
美 中 贸 易 全 国 委 员 会

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The past year has been one of victories, pitfalls, and surprises in US-China relations. Several of the most defining moments took place in the trade sphere, having a profound impact on US companies that do business in China. Since the US-China Business Council (USCBC) released our last member survey, the United States and China finalized a Phase One trade agreement, putting tariff escalations of the past two years to a halt. While China began making structural reforms to implement its Phase One commitments and both countries entered what would have been a conciliatory period, a novel pathogen began wreaking havoc on public health and the global economy, reigniting discord in the US-China trade relationship just as the United States heads into an election year.

These tumultuous circumstances, and particularly the COVID-19 pandemic, have bred uncertainty into the business environment, clouding companies' perspectives on the short-term business outlook for China. Companies also remain concerned about long-held operational issues like fair competition, data and cybersecurity policy, and intellectual property protection. Despite high tensions, all indicators suggest that companies remain largely committed to the China market over the long term.

Unlike last year, uneven enforcement and human resources did not make it into this year's ranking of the top 10 challenges faced by member companies. Instead, COVID-19 and tariffs made their way onto the list, and prominently. This report delves into some of these challenges and other common themes appearing in our survey data this year.

# Top 10 Challenges

1. US-China relations
2. COVID-19 impacts
3. Competition with Chinese companies
4. Tariffs
5. Cost increases
6. Licenses and approvals
7. IPR enforcement
8. Data flows
9. Innovation policies
10. Investment restrictions on foreign companies



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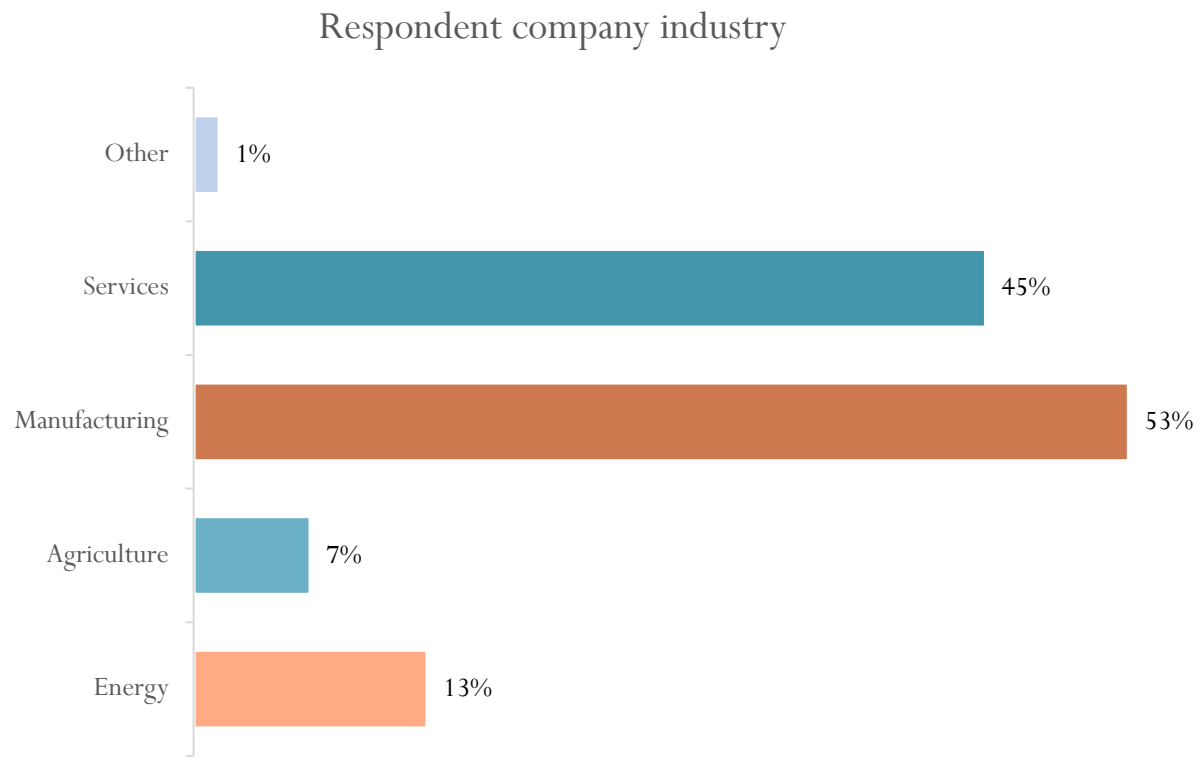
# Methodology

For over a decade, USCBC's member survey has captured sentiments from a multitude of US companies operating in China. This year's report draws from a pool of more than 100 member companies. Slightly more than two-thirds of respondent company executives in this year's survey were based in China, with a third located in the United States. Responses were collected in late May and June 2020.

Companies' top 10 challenges were calculated using a weighted system to reflect the most significant issues they encounter while doing business in China. The same methodology has been used in previous years to ensure consistent analysis of the issues over time.

Due to rounding, some chart totals may add up to more or less than 100 percent.



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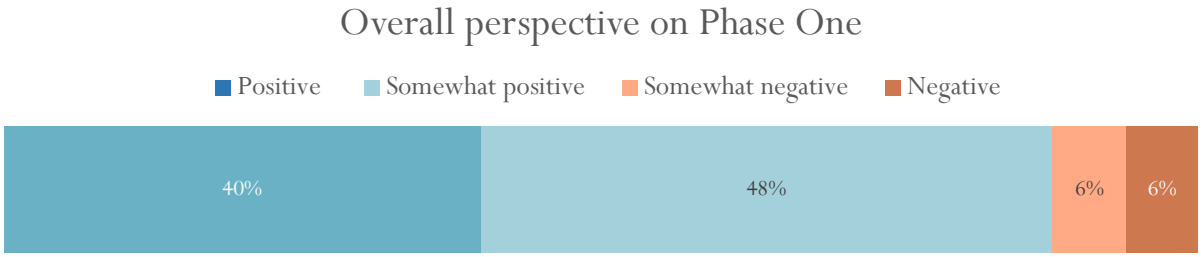
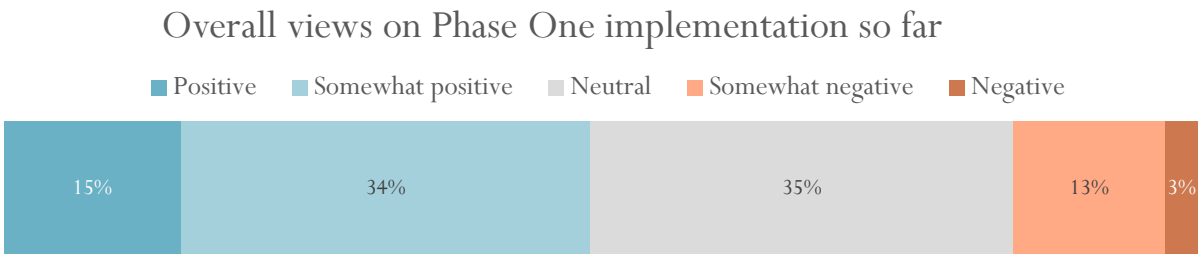
# The Phase One Trade Deal

The signing of the Phase One Trade Agreement between the United States and China in mid-January of this year was met with a range of reactions from lawmakers, analysts, and the business community. Seven months after the United States and China signed the Phase One deal, American companies remain overwhelmingly supportive, with 88 percent of respondents reporting a positive or somewhat positive view of the agreement. Since the deal's signing, China has taken steps to liberalize its financial services sector to foreign companies, significantly reduce barriers to trade in the agriculture sector, and strengthen its domestic legal and enforcement regime for protecting intellectual property rights.




While roughly half of respondents recognize the progress China has made and report a positive or somewhat positive view of Phase One implementation, a significant portion—35 percent—take a neutral view. This may suggest that many are still waiting to see if all commitments will be met, or that the deal does not directly impact the respondent's business operations. While the agreement contains commitments that will span over the next two years, only five months have passed since the deal formally went into effect in February.

USCBC has been surveying its members on the Phase One agreement since then. Responses from member companies over the last several months indicate that US companies' support for the Phase One agreement stems less from the commitments themselves, but instead, from the perception that the agreement is a stabilizing force in an otherwise rapidly deteriorating bilateral relationship.



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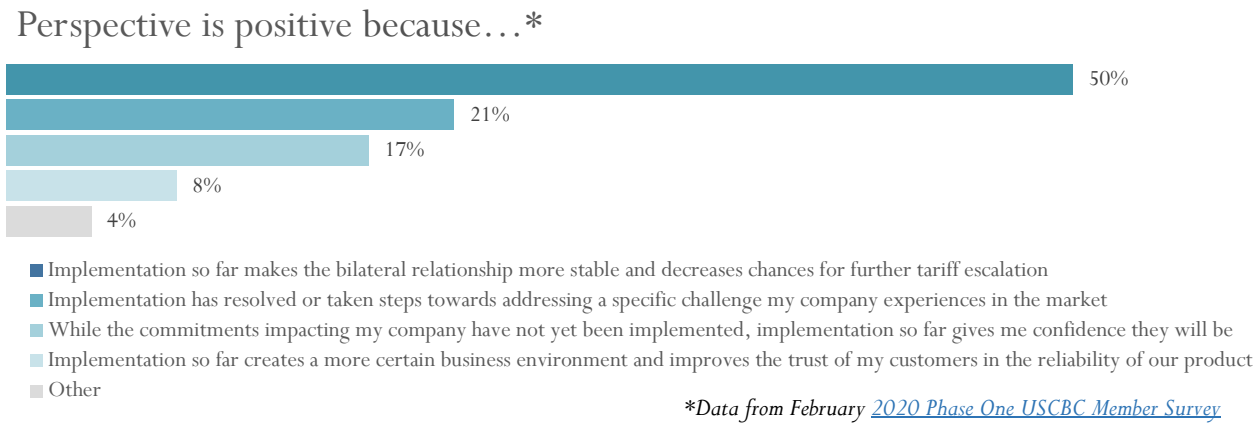

Perspective is positive because…*
50%
21%
17%
8%
4%
Implementation so far makes the bilateral relationship more stable and decreases chances for further tariff escalation
Implementation has resolved or taken steps towards addressing a specific challenge my company experiences in the market
While the commitments impacting my company have not yet been implemented, implementation so far gives me confidence they will be
Implementation so far creates a more certain business environment and improves the trust of my customers in the reliability of our product
Other

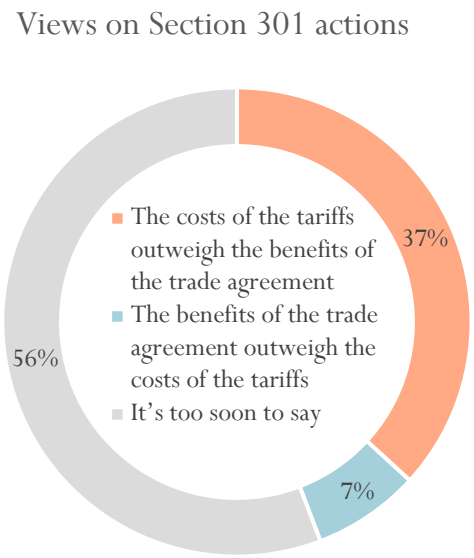
**Data from February 2020 Phase One USCBC Member Survey*

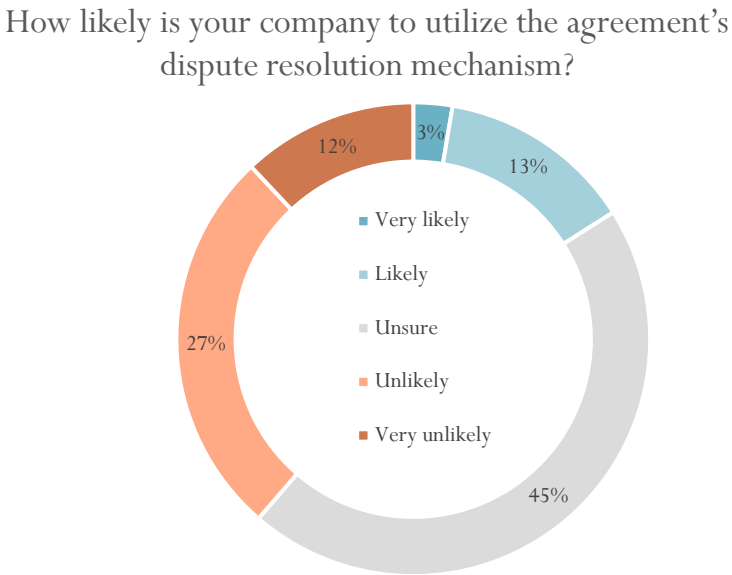
Despite agreeing to halt any further tariff increases, as of the release of this report, tariffs remain on $370 billion of Chinese goods and more than $110 billion of US goods.

Only 7 percent of respondents feel that the benefits of the Phase One agreement outweigh the costs of tariffs incurred along the way, while 36 percent say that costs outweigh the benefits of the agreement. Importantly, a 56-percent majority believe it is too soon to say, suggesting that for most, the jury is still out on the Trump administration's policy approach to China.

The deal's dispute resolution mechanism, heralded as one of the key achievements of both the US and Chinese negotiators, appears to be having trouble gaining traction with the US business community. The dispute resolution chapter establishes a process for addressing perceived shortcomings or disagreements related to the agreement and invites companies to relay their concerns directly to either government, though the mechanism will still function if companies decide not to participate.

While this mechanism provides more opportunities for the US government and, by proxy, companies, to resolve their problems in the China market, many companies are circumspect about actually utilizing the mechanism, with only 16 percent expecting to do so if issues with Phase One arise. Members indicate this hesitation stems from a general uncertainty about how their concerns would be rectified under this arrangement. Some companies noted that there is a fear of potential retaliation in the China market, while others expressed concerns about company privacy.


Views on Section 301 actions
37%
7%
56%
The costs of the tariffs outweigh the benefits of the trade agreement
The benefits of the trade agreement outweigh the costs of the tariffs
It's too soon to say



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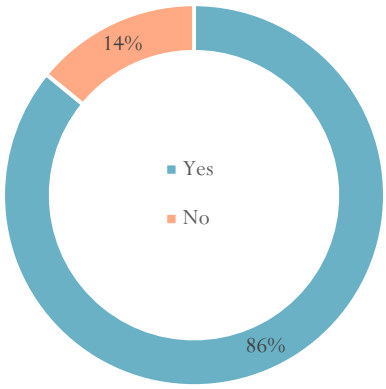
# US-China Relations

Despite China's first economic recession in a generation, it is the US-China relationship that poses the top challenge for US companies in China for the third consecutive year. From investment decisions to cybersecurity and standards setting, the emerging competition between the United States and China pervades nearly all aspects of company operations in China. Returning to a stable and constructive US-China relationship is of the utmost importance to USCBC and our member companies.

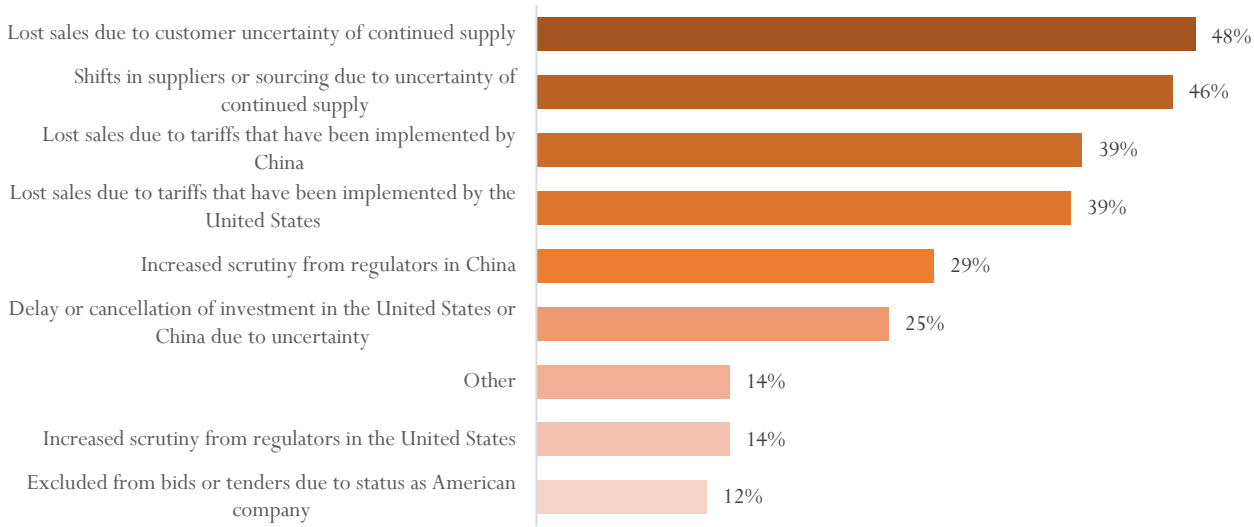
Have you seen any impact on your company's business with China from current US-China trade tensions?




Eighty-six percent of USCBC members report that bilateral trade tensions have impacted their business with China. In 2019, the most significant result of those tensions was lost sales due to retaliatory tariffs enacted by China. While Chinese tariffs continued to impact US company sales to China in 2020, 10 percent fewer companies cited this as a top concern this year compared to last. This is likely a result of their success with China's tariff exclusion process established this year as well as the uptick in Chinese purchases of US goods in accordance with the Expanding Trade chapter of the Phase One agreement.

In 2020, the most perverse impact of bilateral trade tensions—reported by half of respondents—was lost sales due to customer uncertainty about continued supply. Members were similarly concerned about sourcing products as a result of tariffs. Recent US policies restricting the sales of certain products and services to some Chinese companies have begun to impact more commercial interactions between US companies and their Chinese customers. Conversations with USCBC member companies indicate Chinese customers are increasingly concerned about sustained access to American companies' products and about the potential for US export control and other policies to inhibit access to those products in the future. As one business affirmed, "we have been cut out of some bids because we are a US company."

Impact of US-China trade tensions on business


Lost sales due to customer uncertainty of continued supply
48%
Shifts in suppliers or sourcing due to uncertainty of continued supply
46%
Lost sales due to tariffs that have been implemented by China
39%
Lost sales due to tariffs that have been implemented by the United States
39%
Increased scrutiny from regulators in China
29%
Delay or cancellation of investment in the United States or China due to uncertainty
25%
Other
14%
Increased scrutiny from regulators in the United States
14%
Excluded from bids or tenders due to status as American company
12%



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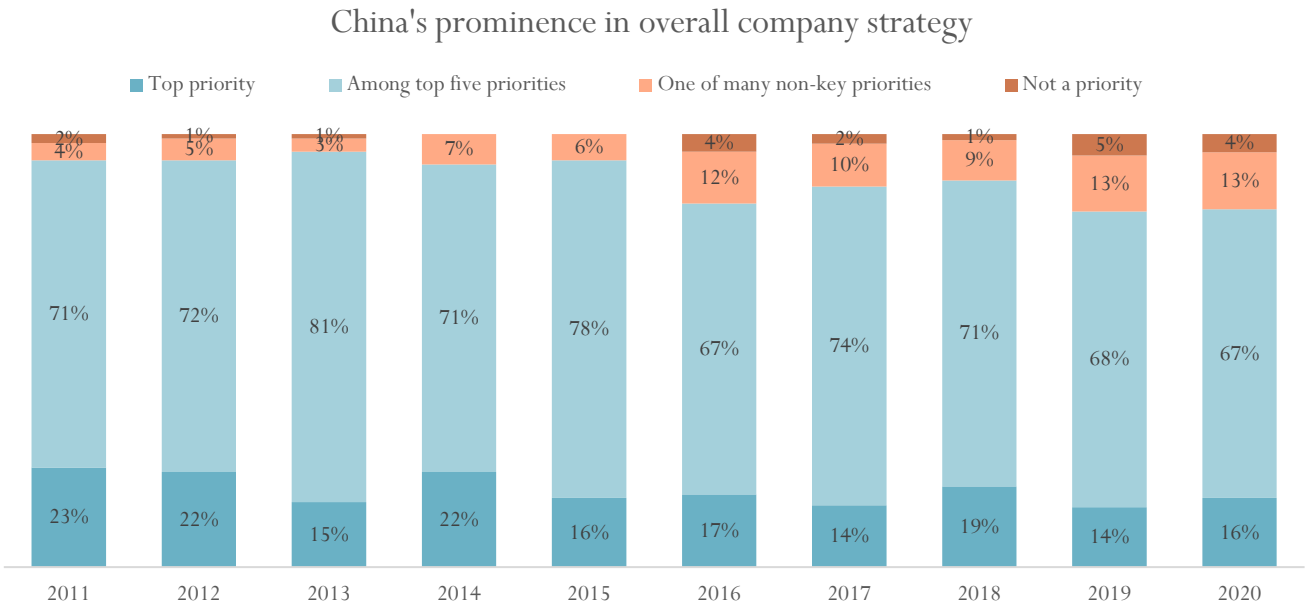
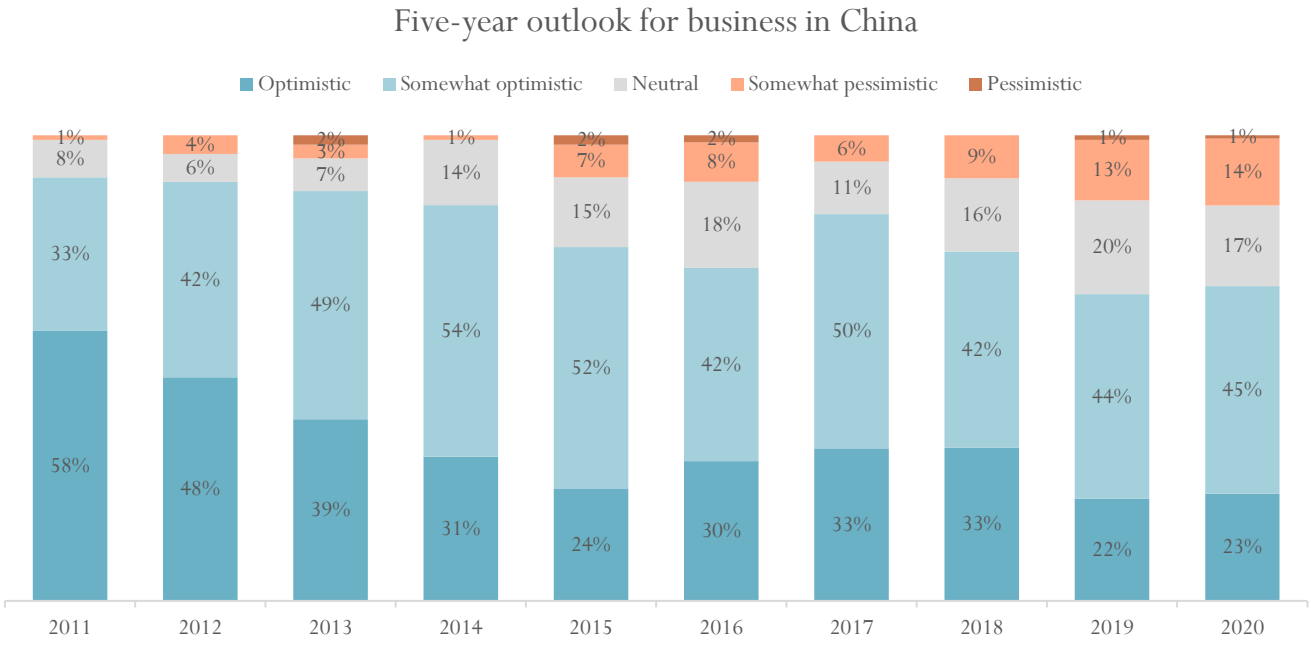
# The Investment Environment

Despite years of trade friction and swelling calls for economic disengagement by hawks in the United States and China, both our data as well as conversations with member companies indicate that American companies remain committed to the China market over the long term. Eighty-three percent of companies counted China as either the top or among the top five priorities for their company's global strategy. Projections about the five-year business outlook in China are similarly sanguine, with nearly 70 percent expressing that they are optimistic about the commercial prospects of the market. While business uncertainty remains high across the board, the Phase One agreement provided a modicum of confidence in the China investment environment by freezing additional tariff increases and stabilizing the overall commercial relationship.



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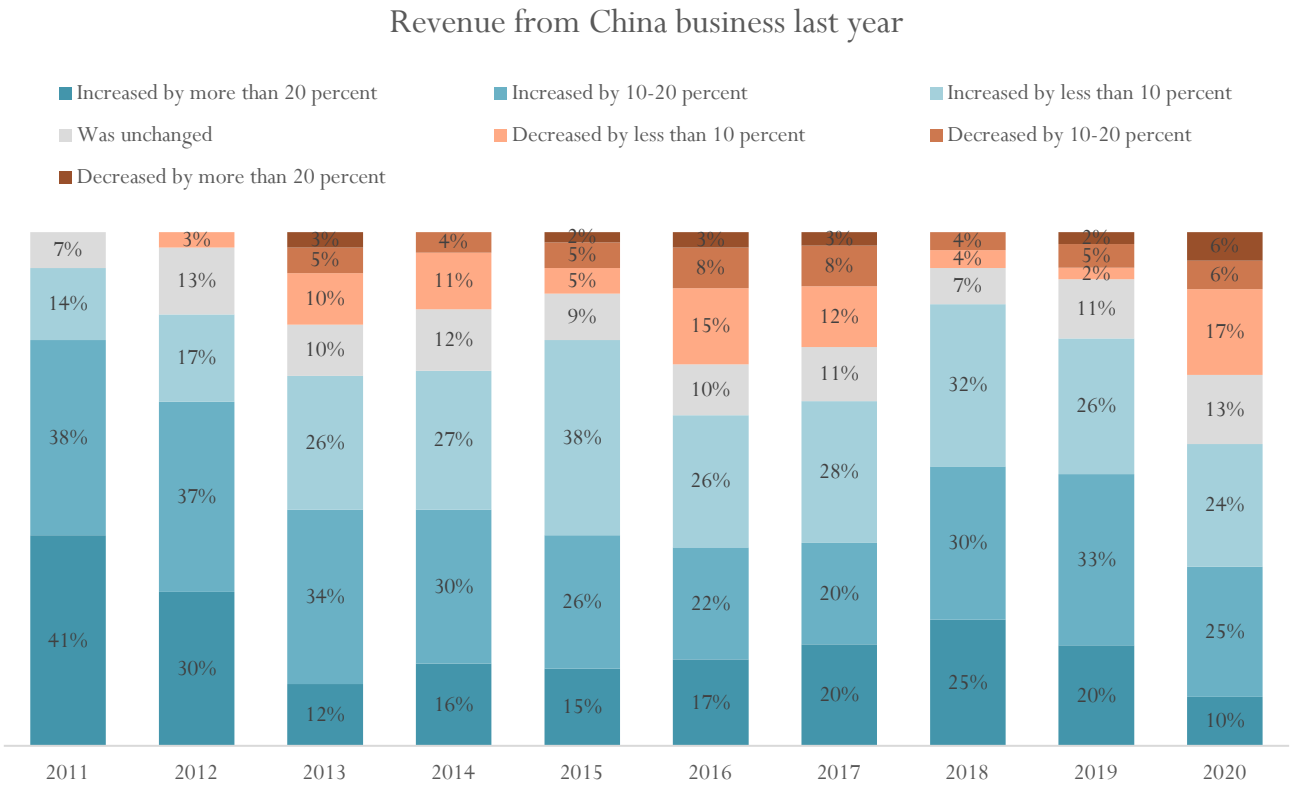
Profitability is also a key component of long-term confidence in the China market. Ninety-one percent of companies indicate their China operations are profitable, albeit at a lower margin than in years past. According to our data, the primary restraint on profitability is COVID-19 and its impact on the economy. The majority of respondent companies also saw an increase in revenue last year.


Revenue from China business last year
Increased by more than 20 percent
Increased by 10-20 percent
Increased by less than 10 percent
Was unchanged
Decreased by less than 10 percent
Decreased by 10-20 percent
Decreased by more than 20 percent
2011: 41% 38% 14% 7%
2012: 30% 37% 17% 13% 3%
2013: 12% 34% 26% 10% 5% 3%
2014: 16% 30% 27% 12% 11% 4%
2015: 15% 26% 38% 9% 5% 5% 2%
2016: 17% 22% 26% 10% 15% 8% 3%
2017: 20% 20% 28% 11% 12% 8% 3%
2018: 25% 30% 32% 7% 4% 4%
2019: 20% 33% 26% 11% 2% 5% 2%
2020: 10% 25% 24% 13% 17% 6% 6%



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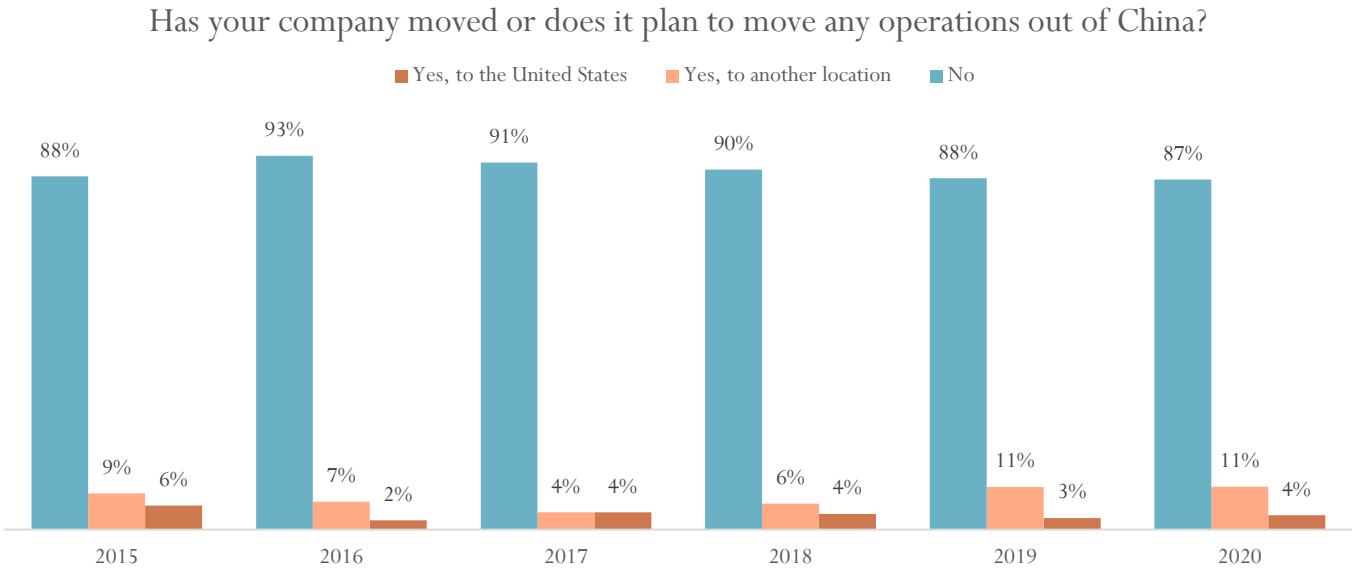
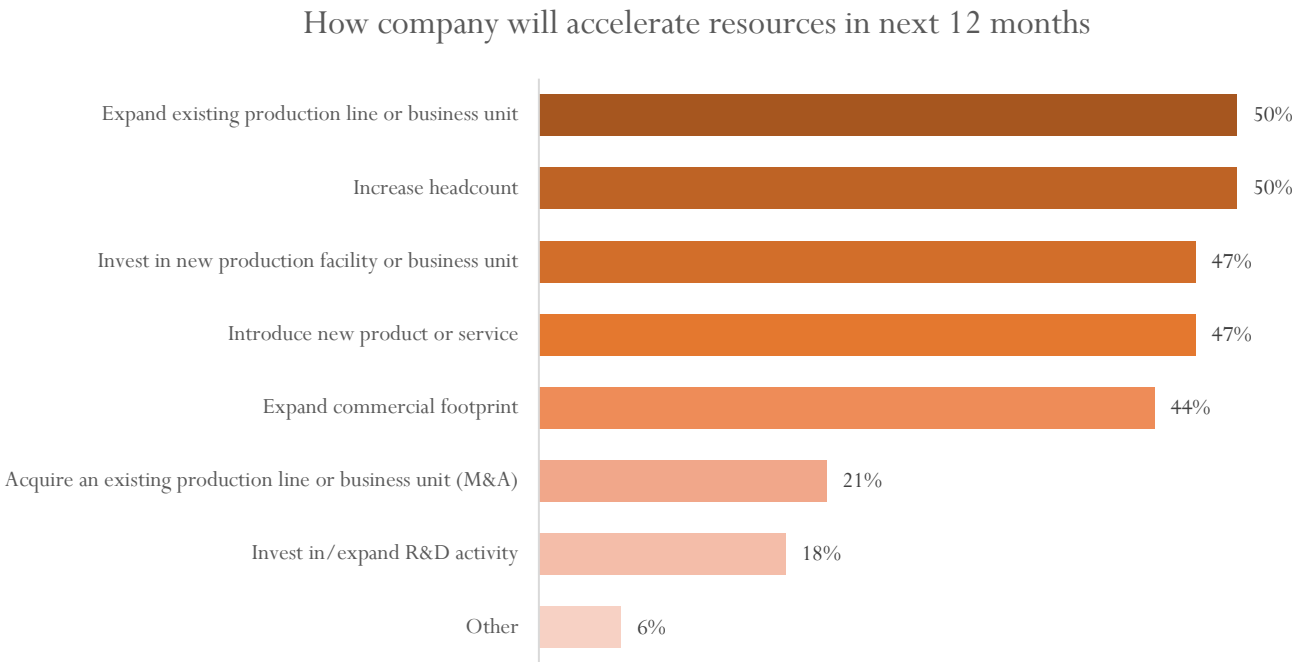
As a result of this long-term confidence in the China market, 87 percent of companies reported no plans to shift production out of China. Only four percent have shifted or plan to shift operations to the United States, and this is largely due to lagging consumer demand in China. The other 11 percent reported recent or planned production shifts to other parts of the world, with Thailand and Mexico as the leading alternative destinations.




Of the 75 percent of companies reporting that their resource commitments to China operations will remain static or accelerate in the coming year, the most common reasons were to expand their existing commercial footprint and production, increase their headcount, and launch new products.



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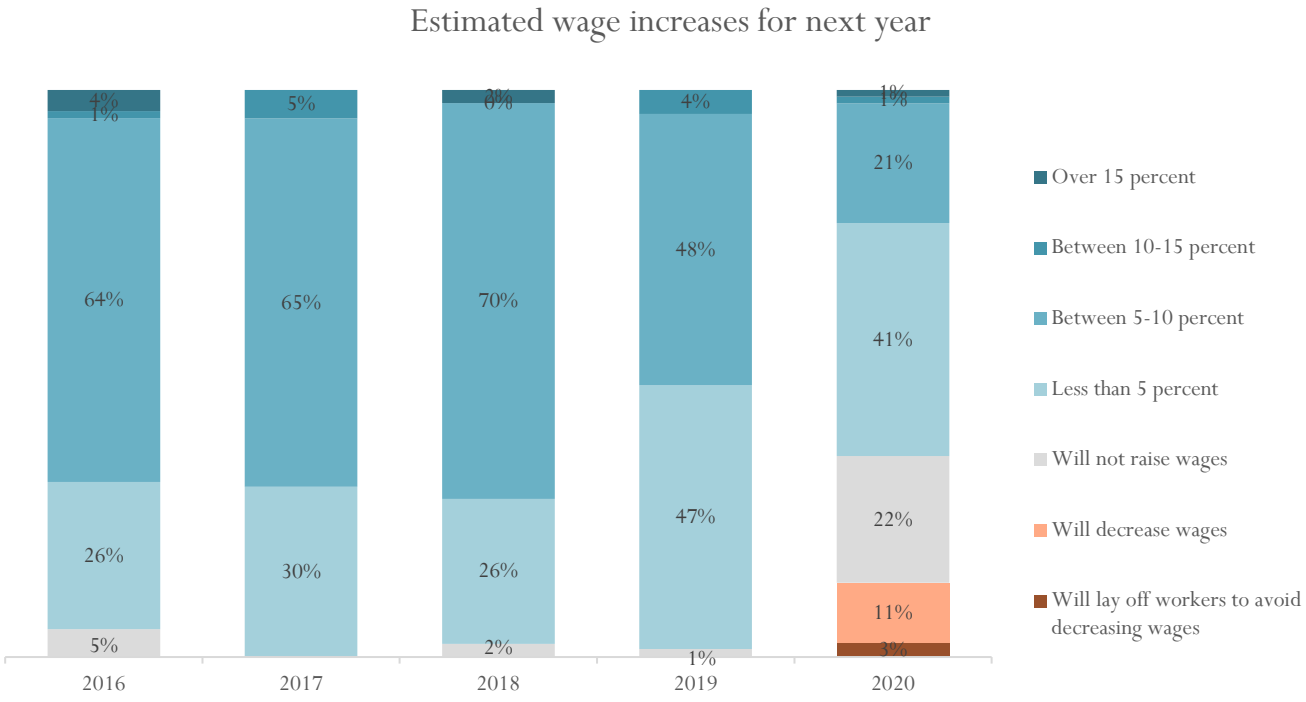
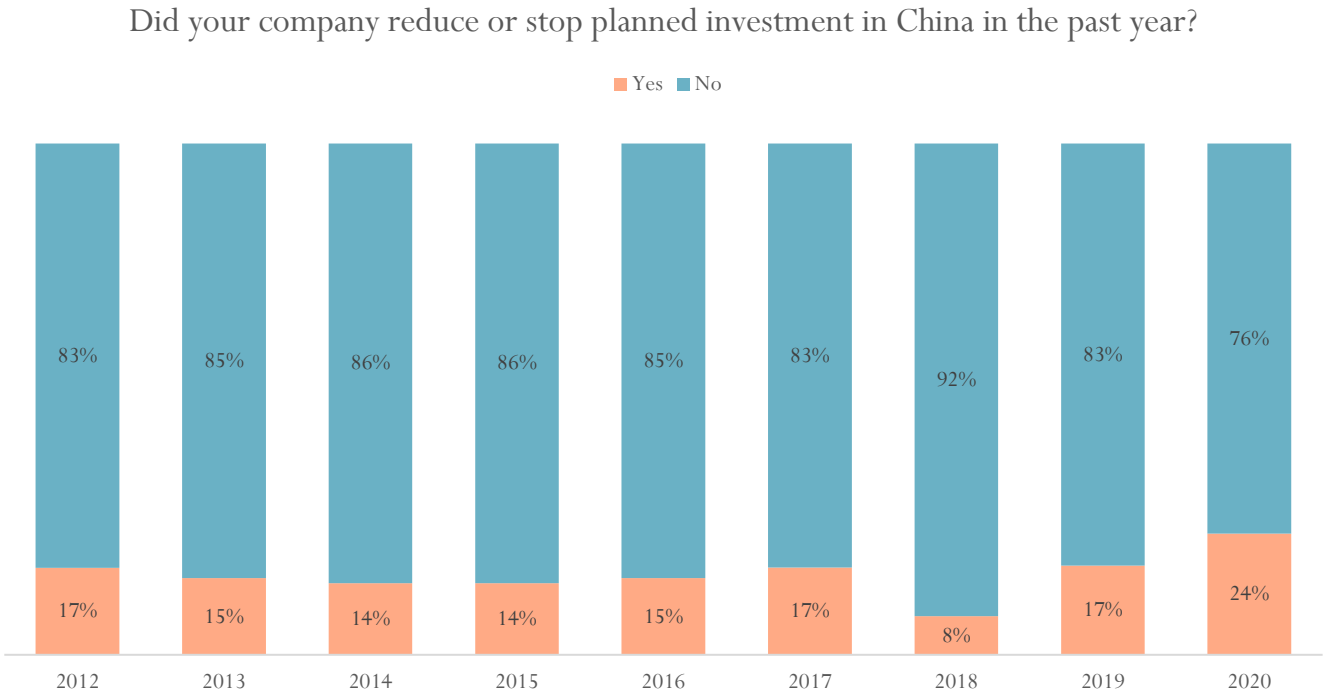
But despite long-term optimism, bilateral trade friction and especially the outbreak of COVID-19 are weighing on the investment decisions and near-term economic prospects of American companies in China.




A quarter of USCBC member companies have reduced or stopped planned investment in China in the last year, a historic high for this survey. The top reasons for reducing or stopping investment in China are increased costs or uncertainties from US-China tensions and uncertainty stemming from COVID-19.



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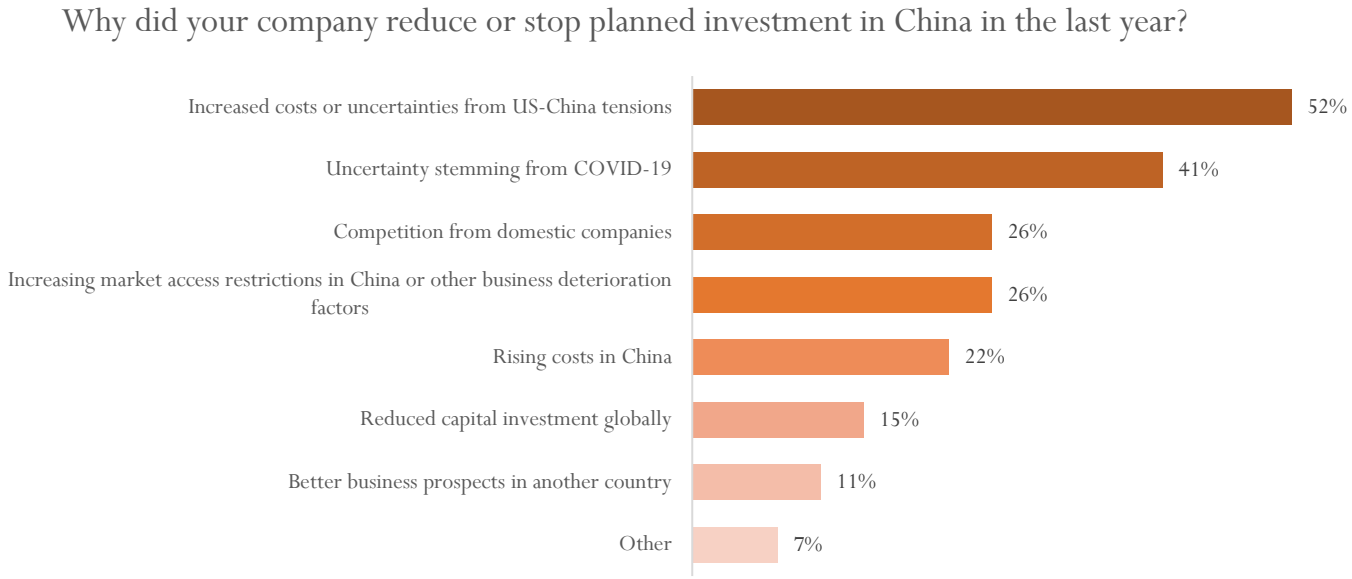
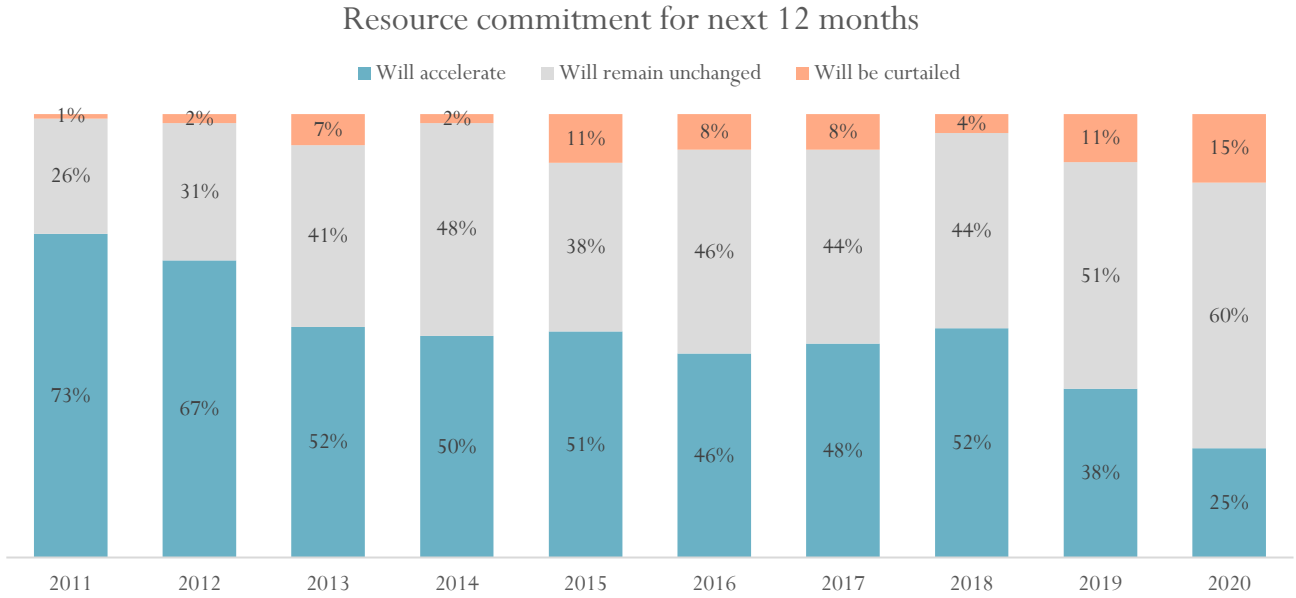



The trend of reduced investment is particularly apparent in research and development (R&D). In 2020, for those increasing investment in China, only 18 percent indicated that investment would go to R&D spending. This compares to 33 percent in 2019, and 47 percent in 2018. Part of this decrease might be a result of increasingly onerous data flow restrictions, the development of Chinese export control policies, and changes in US tax policy incentivizing investment in the R&D area.

The political uncertainty and lingering COVID-19 pandemic are also impacting revenue and wage projections. Only 30 percent of companies expect their revenue to increase this year, a historic low for this survey. Companies' estimated wage increases are also telling. For the past decade, companies reporting that they would not increase wages in the next year have consistently been in the low single digits. In 2020, 36 percent of respondents indicate that they will keep wages static, reduce wages, or lay off workers to avoid cutting wages in the year ahead, a 35 percent increase from the previous year.

The abrupt downturn in projections this year and the absence of an observed trend suggest that wages and resource commitment to China may see a revival when the domestic economy improves.



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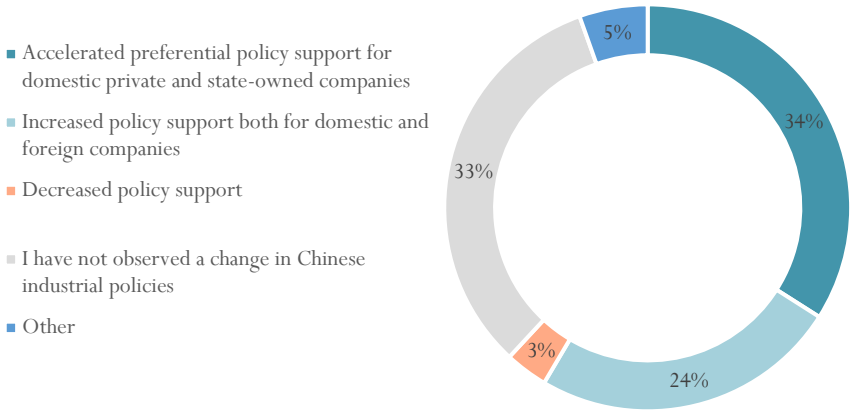
# Competition

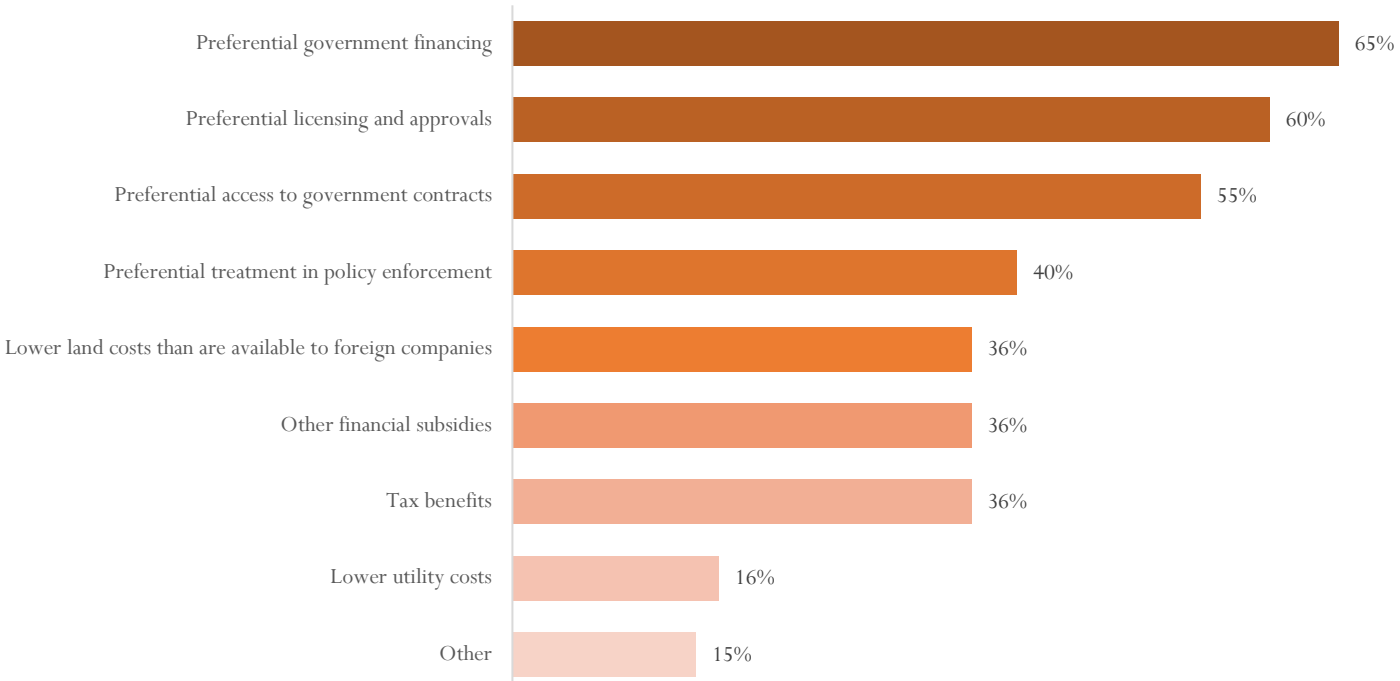
US companies have had different experiences when it comes to the competitive environment in China. This year, one-third of respondents observed accelerated preferential policy support for Chinese companies directly as a result of US-China trade frictions. Protectionism, particularly China's industrial policies such as Made in China 2025 and a push toward domestic procurement, has created a more difficult competitive environment for some US companies. Twenty-five percent of respondents said that increased competition with Chinese companies had hurt their profit margins last year.

But in other areas, particularly when it comes to the state sector, the picture is less straightforward. While the majority—77 percent—either have concrete knowledge of or suspect state-owned competitors are receiving subsidies or benefits from the Chinese government, twenty-three percent report that they do not believe SOE competitors are receiving tangible benefits.

What changes has your company observed for Chinese industrial policies as a result of US-China trade frictions?




What kinds of benefits do SOE competitors receive?


Preferential government financing 65%
Preferential licensing and approvals 60%
Preferential access to government contracts 55%
Preferential treatment in policy enforcement 40%
Lower land costs than are available to foreign companies 36%
Other financial subsidies 36%
Tax benefits 36%
Lower utility costs 16%
Other 15%



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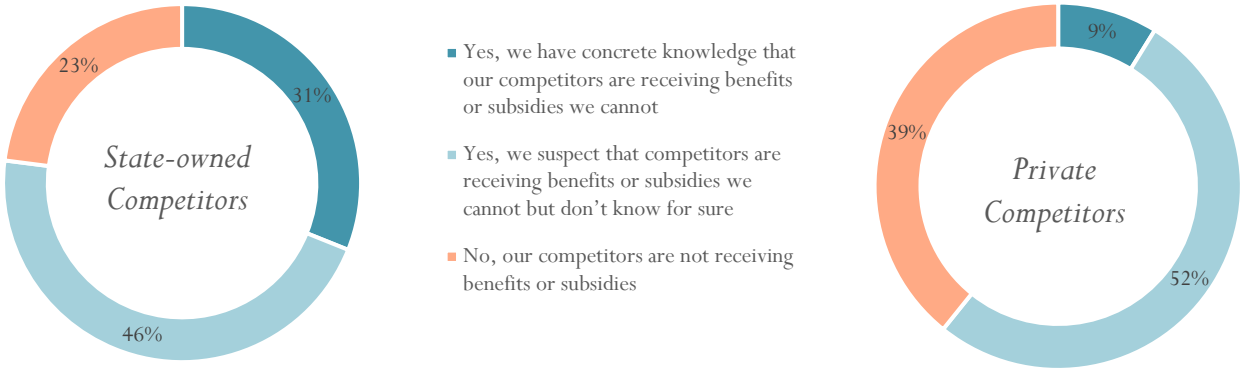
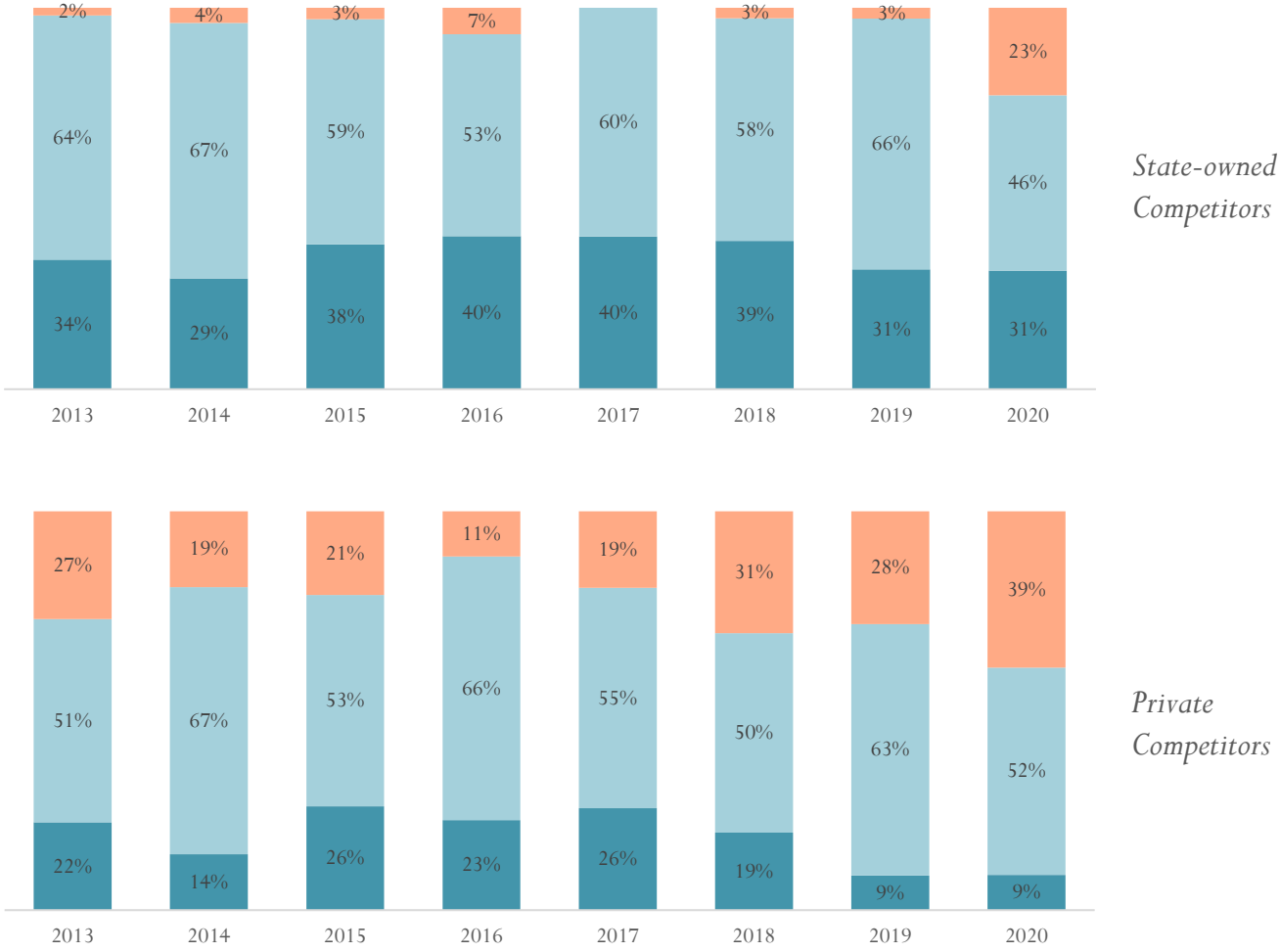
Likewise, 61 percent of respondents either have concrete evidence or suspect that their privately-owned competitors in China are receiving similar benefits. While this is an improvement from years past, competition with Chinese companies still ranks as the third most common challenge for respondents to this year's survey.

## Are your private/state-owned competitors receiving tangible benefits?


23%
31%
State-owned Competitors
46%
Yes, we have concrete knowledge that our competitors are receiving benefits or subsidies we cannot
Yes, we suspect that competitors are receiving benefits or subsidies we cannot but don't know for sure
No, our competitors are not receiving benefits or subsidies
9%
39%
Private Competitors
52%



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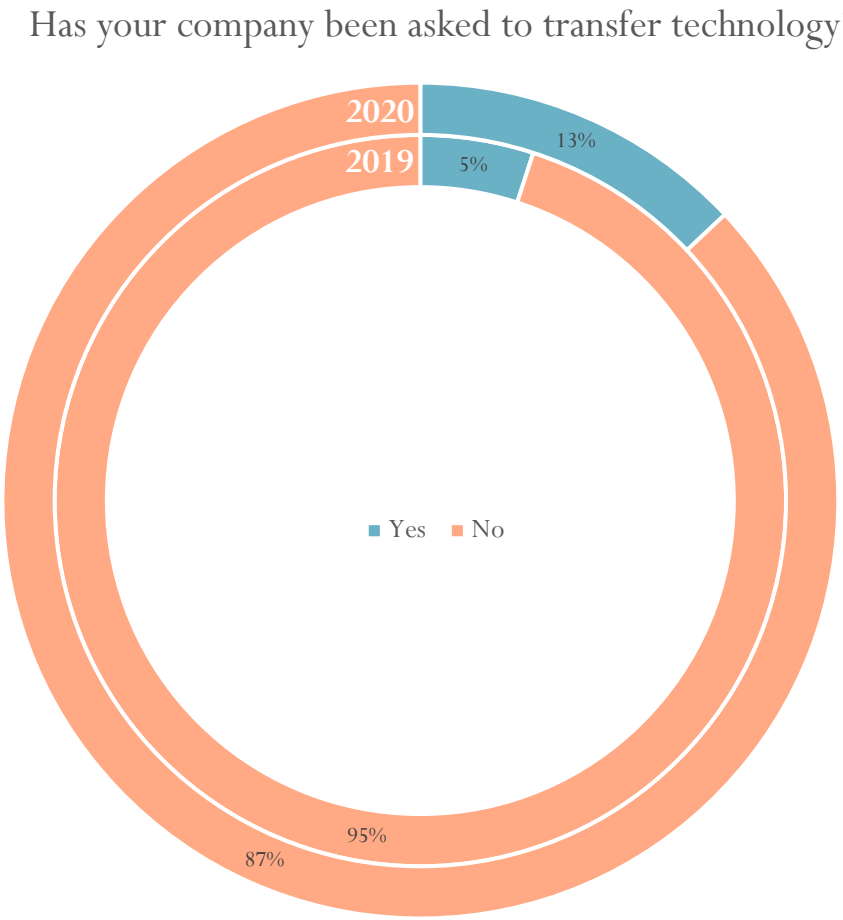
# Technology Transfer

Market access restrictions, joint venture requirements, or administrative licensing requirements, such as those embedded in standardization and industrial policies, often preclude a company's ability to enter the China market. When asked to transfer technology as part of this process, companies are compelled to weigh the relative values of both their technology and access to the China market.

Technology transfer does not affect all companies, but for those that it does, it is an acute concern. Although the issue has remained a sticking point in bilateral tensions between the United States and China, two-thirds of companies report that technology transfer does not have an impact on their operational decisions in China. Even so, 13 percent of respondent companies have been asked to transfer technology this year, compared to only 5 percent last year. The reason for this uptick is unclear.

China has taken some steps to address these concerns, such as committing not to require or pressure foreign companies to transfer technology in the Phase One agreement and through language in its *Foreign Investment Law* that went into effect this year. However, without specifics, it is unclear how this will reasonably be enforced. Additional reforms to joint venture requirements and administrative licensing requirements would be beneficial in protecting companies' trade secrets.



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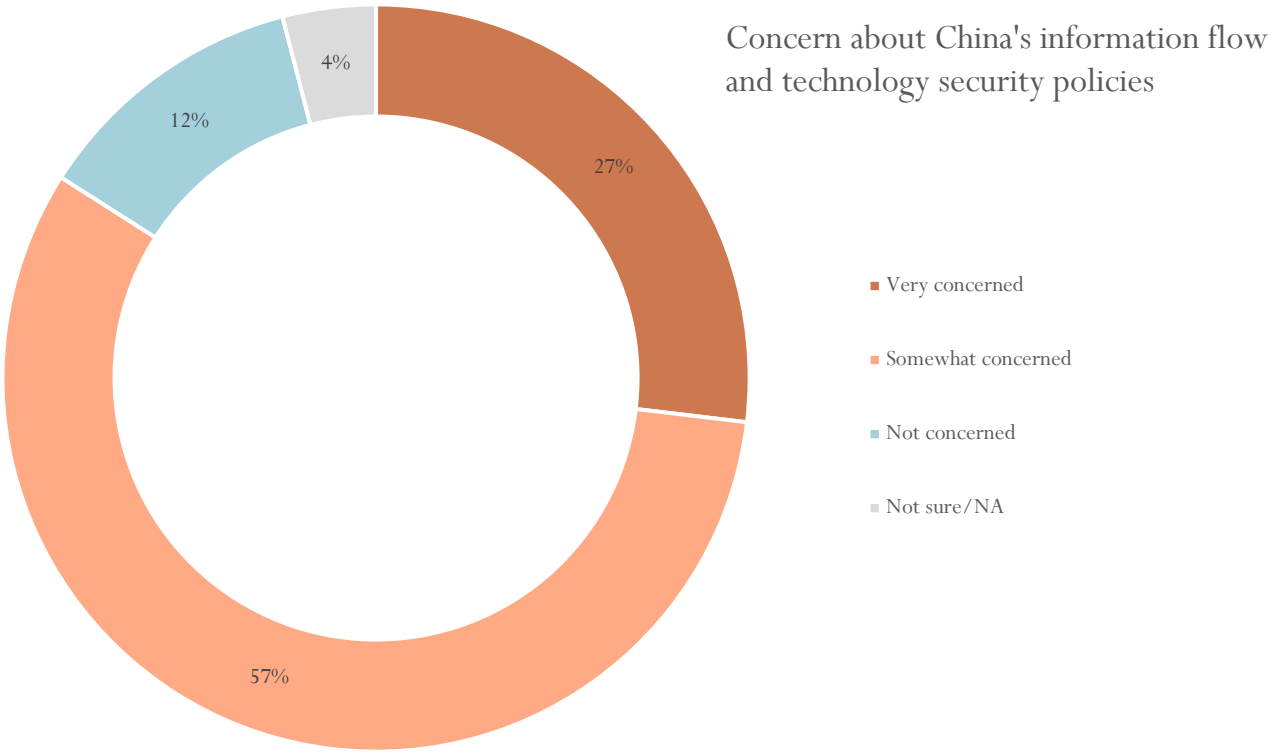
# Data Flows and Cybersecurity

Over the past few years, China has expanded its cyber and data security regime, which includes new requirements for virtually all companies that do business in China. While China's overarching *Cybersecurity Law* went into effect in June of 2017, its implementing regulations—which are crucial in determining how the law will be applied in practice—have been released gradually, with many still yet to be finalized. The percentage of companies that are somewhat or very concerned about China's information flow and technology security policies increased this year to 84 percent from 76 percent in 2019.

According to companies, these concerns are driven by the negative trajectory of the US-China relationship. Bilateral tensions are likely to remain at the center of concerns around data and cybersecurity issues moving forward. Although foreign technologies provide more options for users in the China market, increasing rancor between the United States and China, and policy escalation, may curtail companies' ability to operate effectively in the market. Increasingly assertive US technology policies and Chinese domestic protectionism for homegrown tech firms may produce a more unstable operational environment and less product options for companies in the sector.

Top cyber-related concerns cited by companies this year are similar to those raised in the past few years. Seventy-one percent of companies said they were concerned about US-China political tensions in relation to China's policies in this arena, a 15 percent increase from 2019. Other common concerns were data localization requirements and restrictions on crossborder data flows, both of which have seen policy developments in the last year.



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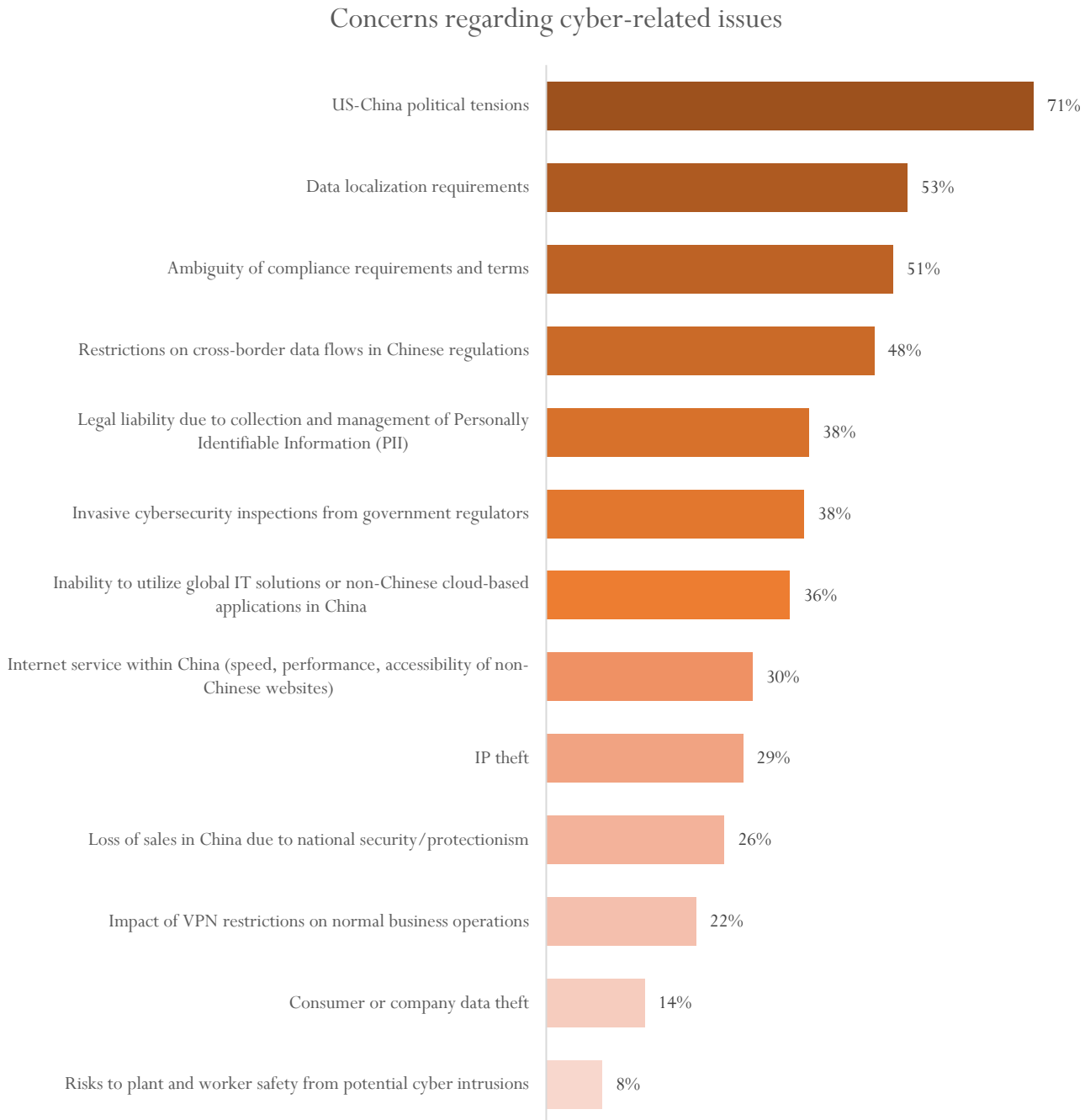
Not everything has remained static, however. Concerns over virtual private network (VPN) restrictions, for example, have fallen significantly. Only 22 percent of companies identified VPN restrictions as an issue, compared to 50 percent last year when Chinese regulators articulated plans to restrict VPN access. The use of VPNs is common among the foreign business community, as it can be necessary for the ease of communication and recordkeeping on company-wide platforms that may be restricted by China's internet firewall.

Likewise, concern around data theft has seen a marked decline in the last few years, with only 14 percent of companies identifying it as a problem compared to a peak of 53 percent in 2017.


Concerns regarding cyber-related issues
US-China political tensions
71%
Data localization requirements
53%
Ambiguity of compliance requirements and terms
51%
Restrictions on cross-border data flows in Chinese regulations
48%
Legal liability due to collection and management of Personally Identifiable Information (PII)
38%
Invasive cybersecurity inspections from government regulators
38%
Inability to utilize global IT solutions or non-Chinese cloud-based applications in China
36%
Internet service within China (speed, performance, accessibility of non-Chinese websites)
30%
IP theft
29%
Loss of sales in China due to national security/protectionism
26%
Impact of VPN restrictions on normal business operations
22%
Consumer or company data theft
14%
Risks to plant and worker safety from potential cyber intrusions
8%



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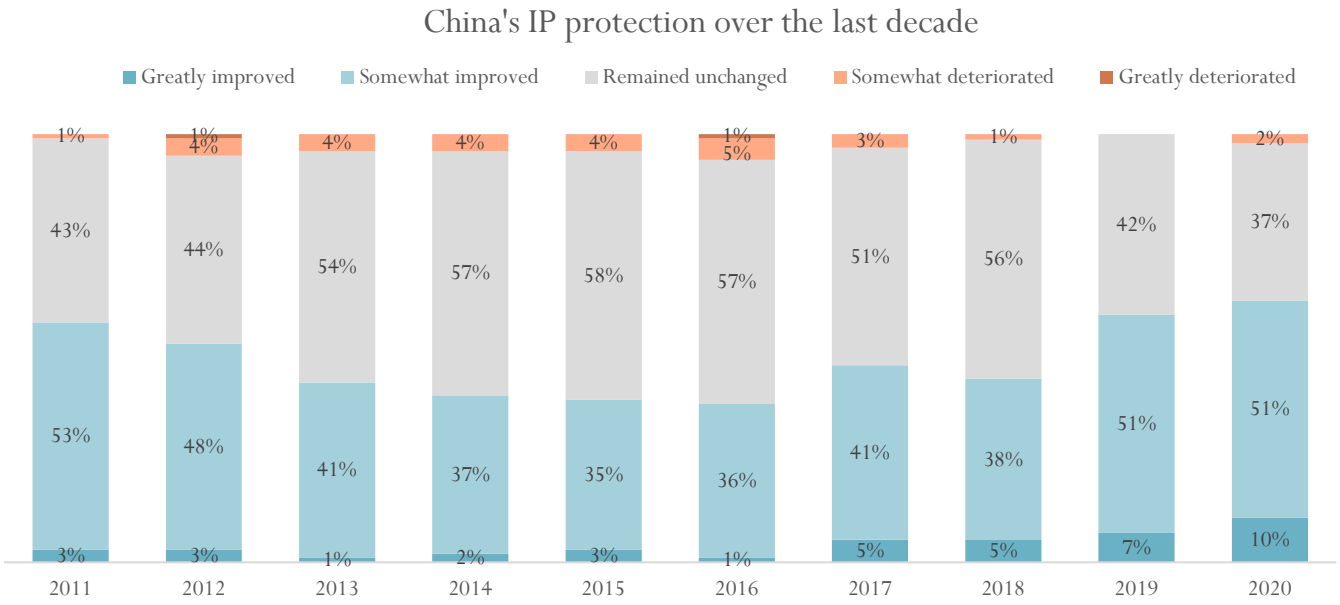
# Intellectual Property Protection

The lingering challenges of protecting intellectual property (IP) rights in China remain at the center of the bilateral friction between the United States and China. As in years past, respondents indicate incremental improvements in both the protection and enforcement of IP rights. Companies report that their cases are increasingly handled by judges with a nuanced understanding of IP disputes and by more motivated police that are willing to raid infringing factories. It appears that there is a general awareness from partners and license holders about the importance of protection.

Despite improvements, the percentage of companies that curtail or choose not to embark on investments in China is not insignificant. Responses from several companies indicate that the impact of IP rights enforcement limits their products manufactured, licensed, and sold in China, in addition to their R&D activities. For China, improved IP enforcement is not simply a matter of ensuring that IP owners are compensated for their discoveries, it is also an economic issue. When American companies are limiting their operations in China because of the lack of full protection for IP rights, opportunities for job creation and innovation are lost.



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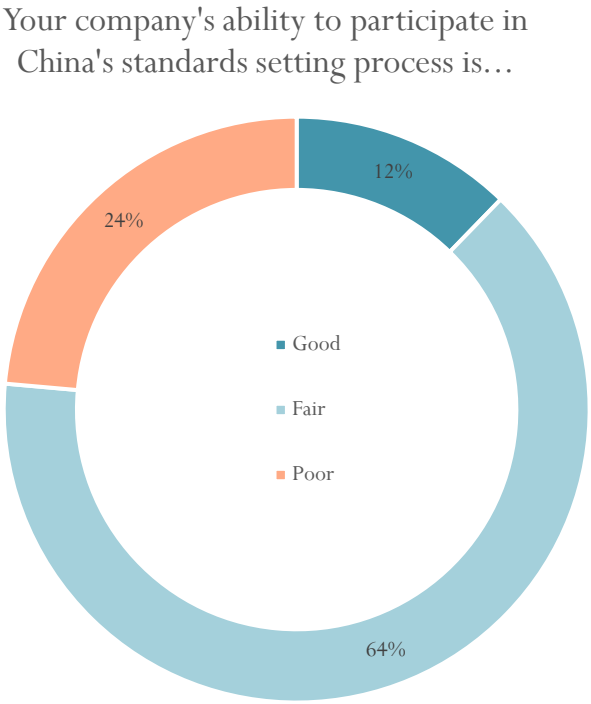
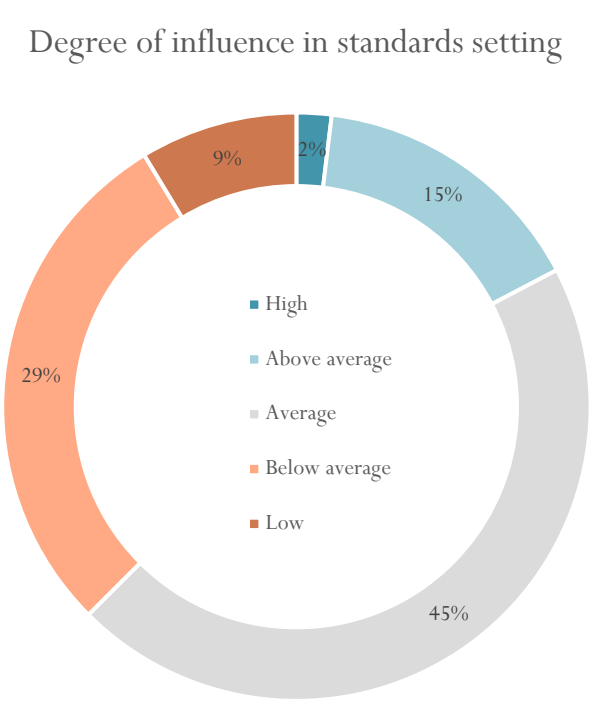
# Participation in Standards Setting

China sometimes employs technical standards that differ from the standards that companies use in other markets internationally, which can act as a market access barrier and hinder interoperability. Despite new commitments in China's *Foreign Investment Law* to allow equal access to standards setting for foreign and Chinese companies, respondents report that in many cases, they are still unable to participate fully. Of the approximately two-thirds of respondents attempting to participate in standards setting, most rate their ability to do so as only fair (64 percent), and nearly a quarter as poor.

Seventeen percent of companies report high or above average influence in standards setting, and indeed industry leaders are often able to be influential in standards setting by contributing their technical expertise.

However, the ability to participate does not always translate to influence. Only 45 percent of companies feel they had average influence in standards setting, while nearly two-fifths feel that it was below average or low.



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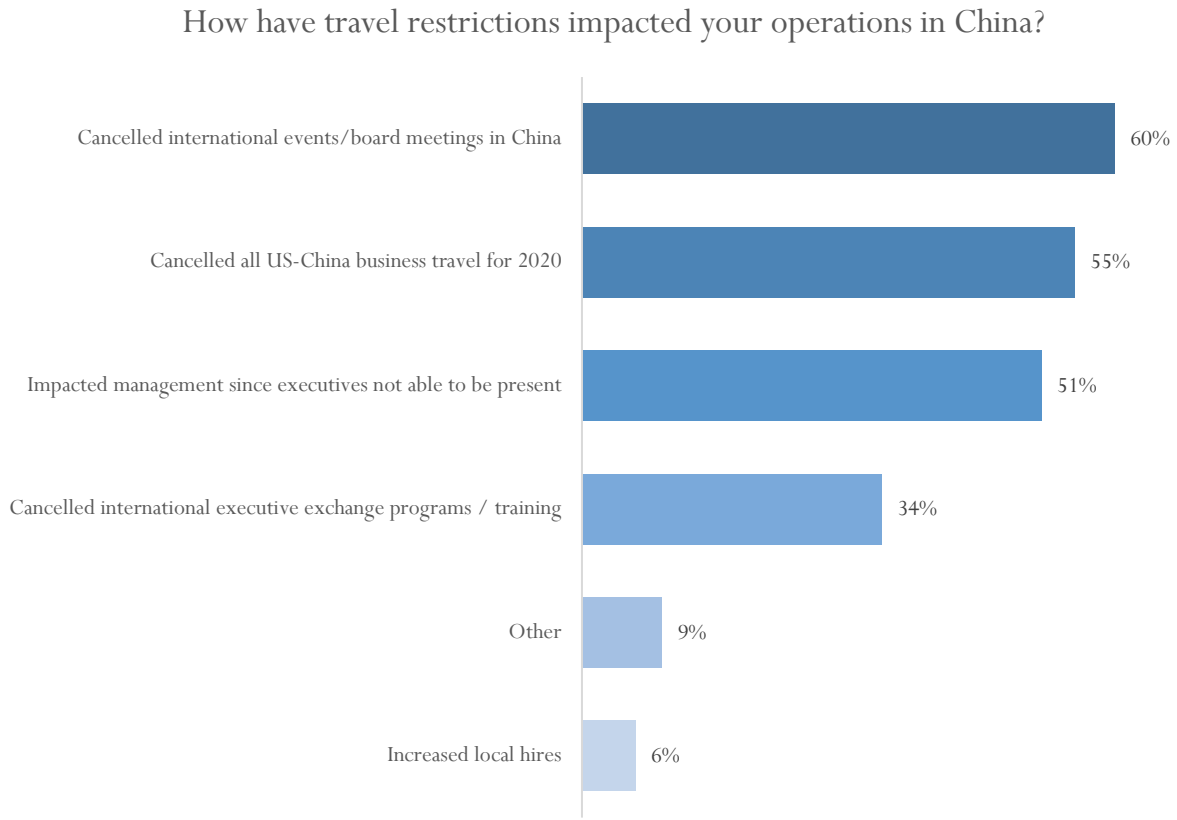
# Visa and Travel Restrictions

Visa and travel restrictions due to COVID-19 have had an impact on company operations. In 2020, 32 percent of USCBC member companies indicate it was more challenging to acquire visas for US employees, compared to 3 percent last year. The travel restrictions have also had an impact on regular operations, with 60 percent of USCBC members cancelling international events and board meetings in China, 55 percent cancelling all US-China business travel, and 34% cancelling international executive exchange programs.



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